

Mandeni Municipality
Financial statements
for the year ended 30 June 2013

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Financial Statements for the year ended 30 June 2013

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

GENERAL INFORMATION

MEMBERS OF EXECUTIVE COUNCIL

Mayor and Chairman of the Executive Committee	Cllr SB Zulu
Deputy Mayor	Cllr PM Sishi
Speaker (Ex-Officio)	Cllr GC Mfekayi
Members of the Executive Committee	Cllr BL Magwaza
	Cllr MS Mdunge
	Cllr S Ndlovu
	Cllr MPP Zungu
Other councillors	Cllr EL Dube
	Cllr EK Dube
	Cllr HM Gumede
	Cllr P Gumede
	Cllr NE Hlabisa
	Cllr BA Khumalo
	Cllr CT Kumalo
	Cllr NP Masondo
	Cllr GPS Mathonsi
	Cllr XH Mathonsi
	Cllr LR Mbonambi
	Cllr K Naidoo
	Cllr LR Mdletshe
	Cllr X Mdletshe
	Cllr SS Mdunge
	Cllr ZM Mhlongo
	Cllr JM Mkhize
	Cllr BP Mngadi
	Cllr N Msimango
	Cllr NS Msomi
	Cllr N Reddy
	Cllr CZ Ngcobo
	Cllr BW Ngiba
	Cllr NF Ntuli
	Cllr JS Zibani
	Cllr MM Ziqubu
	Cllr GN Zungu
Senior management	LH Mapholoba - Municipal Manager
	RN Hlongwa - Chief Financial Officer
	NG Khumalo - Director: Corporate Services
	R Sewdular - Director: Technical Services
	S Khuzwayo - Director: Planning and Economic Development
Legal form of entity	Municipality
	MANDENI

GENERAL INFORMATION

Auditors	Auditor-General
Bankers	First National Bank
Registered office	Mandeni Municipal Office 02 Kingfisher Road Mandeni 4490
Business address	02 Kingfisher Road Mandeni 4490
Postal address	P O Box 144 Mandeni 4490
Nature of business and principal activities	Service delivery
Attorneys	Shepstone and Wylie
Telephone number	032 - 456 8200
Fax number	032 - 456 2504
Email address	info@mandeni.gov.za
Grading of local authority	3
Jurisdiction	Mandeni Boundary (as determined by the Demarcation Board)

ACCOUNTING OFFICER'S RESPONSIBILITIES AND APPROVAL

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

I am responsible for the preparation of these financial statements, which are set out on pages 5 to 71, in terms of Section 126(1) of the Municipal Finance Management Act (Act 56 of 2003) and which I have signed on behalf of the municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 28 of these financial statements are within the upper limits of the framework envisaged in the Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Corporative Governance of Traditional Affairs' determination in accordance with this Act.

Municipal Manager

Mandeni

30 August 2013

Statement of Financial Position as at 30 June 2013

	Note(s)	2013 R	2012 R
ASSETS			
Current Assets			
Call investment deposits	3	59,802,839	60,241,721
Cash and cash equivalents	4	13,670,678	2,947,973
Receivables from exchange transactions	5	2,859,560	5,458,151
Receivables from non-exchange transactions	6	26,373,290	6,659,631
Inventories	7	499,448	371,129
VAT receivable	14	83,559	1,499,013
		103,289,374	**77,177,618**
Non-Current Assets			
Investment property	8	23,162,509	23,210,509
Property, plant and equipment	9	238,853,581	224,987,327
Intangible assets	10	68,863	73,206
		262,084,953	**248,271,042**
Total Assets		**365,374,327**	**325,448,660**
LIABILITIES			
Current Liabilities			
Payables	12	4,000,359	3,459,059
Consumer deposits	13	1,340,897	1,234,283
Provisions for leave pay	15	2,426,371	2,299,583
Unspent conditional grants and receipts	17	11,133,509	10,437,247
		18,901,136	**17,430,172**
Non-Current Liabilities			
Employee benefit obligation	16	9,753,848	10,219,843
Total Liabilities		**28,654,984**	**27,650,015**
Net Assets		**336,719,343**	**297,798,645**
NET ASSETS			
Reserves			
Housing reserve fund	19	1,672,986	1,626,901
Accumulated surplus	11	335,046,357	296,171,744
Total Net Assets		**336,719,343**	**297,798,645**

STATEMENT OF FINANCIAL PERFORMANCE

	Note(s)	2013 R	2012 R
Revenue			
Property rates	21	33,472,174	20,866,449
Property rates - penalties imposed	21	5,074,876	352,549
Service charges	22	16,801,170	15,984,020
Rental of facilities and equipment	23	269,820	203,795
Interest received - external investments	24	2,808,907	2,282,713
Fines		93,010	90,599
Licences and permits		-	1,566
Government grants & subsidies	25	93,022,164	97,587,456
Other income	26	4,475,101	5,809,982
Debt impairment - reversal	27	-	13,518,254
Retirement benefit and long term service contributions reversal	16	590,226	-
Total revenue		**156,607,448**	**156,697,383**
Expenditure			
Employee related costs	28	(32,929,564)	(30,010,057)
Remuneration of councillors	29	(8,028,532)	(7,522,755)
Retirement benefit and long term service contributions	16	(124,231)	(4,135,148)
Debt impairment	30	(7,103,747)	(3,080,776)
Depreciation and amortisation	31	(16,219,624)	(15,360,051)
Finance costs	32	-	(14,263)
Collection costs		(66,039)	(141,581)
Bulk purchases	33	(7,437,324)	(7,269,436)
Contracted services	34	(10,038,792)	(9,431,845)
Grants and subsidies paid	35	(3,283,731)	(5,788,967)
Repairs and maintenance	36	(8,497,724)	(10,180,741)
General Expenses	37	(23,698,045)	(16,409,766)
Total expenditure		**(117,427,353)**	**(109,345,386)**
Operating surplus		**39,180,095**	**47,351,997**
Loss on disposal of assets and liabilities		(375,632)	(60,367)
Inventories: (Write down)/reversal of write down to Net Realisable Value		(12)	624
		(375,644)	**(59,743)**
Surplus for the year		**38,804,451**	**47,292,254**

STATEMENT OF CHANGES IN NET ASSETS

	Housing operating account	Accumulated surplus	Total net assets
	R	R	R
Balance at 01 July 2011	**1,572,968**	**245,243,317**	**246,816,285**
Changes in net assets			
Interest capitalised	53,933	-	53,933
Net income (losses) recognised directly in net assets	53,933	-	53,933
Surplus for the year	-	47,292,254	47,292,254
Total recognised income and expenses for the year	53,933	47,292,254	47,346,187
Movement in Revaluation Reserve	-	2,255,825	2,255,825
Prior year adjustment - 2012	-	1,380,348	1,380,348
Total changes	53,933	50,928,427	50,982,360
Balance at 01 July 2012	**1,626,901**	**296,171,723**	**297,798,624**
Changes in net assets			
Surplus for the year	-	38,804,451	38,804,451
Interest on housing capitalised	46,085	-	46,085
Movement in Accumulated Surplus(payables reversal)	-	70,183	70,183
Total changes	46,085	38,874,634	38,920,719
Balance at 30 June 2013	**1,672,986**	**335,046,357**	**336,719,343**

CASH FLOW STATEMENT

	Note(s)	2013 R	2012 R
Cash flows from operating activities			
Receipts			
Taxation		18,833,391	18,526,534
Sale of goods and services		19,174,742	30,985,853
Grants		94,030,876	107,732,217
Interest income - external investments		2,762,822	2,228,780
		134,801,831	159,473,384
Payments			
Employee costs		(40,958,086)	(37,532,812)
Finance costs		-	(14,263)
Other payments		(53,934,783)	(53,504,612)
		(94,892,869)	(91,051,687)
Net cash flows from operating activities	38	**39,908,962**	**68,421,697**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(30,388,166)	(68,452,398)
Proceeds from sale of property, plant and equipment	9	668,942	238,133
Proceeds from sale of investment property	8	48,000	-
Purchase of call investment deposits		-	27,287,691
Net cash flows from investing activities		**(29,671,224)**	**(40,926,574)**
Cash flows from financing activities			
Repayment of current portion of long term liabilities		-	(134,499)
Interest income		46,085	53,933
Net cash flows from financing activities		**46,085**	**(80,566)**
Net increase/(decrease) in call investment deposits, and cash and cash equivalents		**10,283,823**	**27,414,557**
Call investment deposits, and Cash and cash equivalents at the beginning of the year	39	63,189,694	35,775,137
Call investment deposits, and Cash and cash equivalents at the end of the year	39	**73,473,517**	**63,189,694**

Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
2013											
Financial Performance											
Property rates	27,045,983	-	27,045,983	-		27,045,983	38,547,050		11,501,067	143 %	143 %
Service charges	18,471,600	-	18,471,600	-		18,471,600	16,801,170		(1,670,430)	91 %	91 %
Investment revenue	1,800,000	-	1,800,000	-		1,800,000	2,808,907		1,008,907	156 %	156 %
Transfers recognised - operational	68,846,000	3,000,000	71,846,000	-		71,846,000	69,806,577		(2,039,423)	97 %	101 %
Other own revenue	15,536,577	-	15,536,577	-		15,536,577	5,428,157		(10,108,420)	35 %	35 %
Total revenue (excluding capital transfers and contributions)	**131,700,160**	**3,000,000**	**134,700,160**	**-**		**134,700,160**	**133,391,861**		**(1,308,299)**	**99 %**	**101 %**
Employee costs	(41,398,458)	-	(41,398,458)	-	-	(41,398,458)	(32,929,564)	-	8,468,894	80 %	80 %
Remuneration of councillors	(7,969,429)	-	(7,969,429)	-	-	(7,969,429)	(8,028,532)	-	(59,103)	101 %	101 %
Debt impairment	(2,842,130)	-	(2,842,130)			(2,842,130)	(7,103,747)	-	(4,261,617)	250 %	250 %
Depreciation and asset impairment	(4,759,113)	-	(4,759,113)			(4,759,113)	(16,219,624)	-	(11,460,511)	341 %	341 %
Materials and bulk purchases	(9,300,000)	-	(9,300,000)	-	-	(9,300,000)	(7,437,324)	-	1,862,676	80 %	80 %
Transfers and grants	(5,032,196)	(3,000,000)	(8,032,196)	-	-	(8,032,196)	(3,283,731)	-	4,748,465	41 %	65 %
Other expenditure	(44,315,934)	610,000	(43,705,934)	-	-	(43,705,934)	(42,800,475)	-	905,459	98 %	97 %
Total expenditure	**(115,617,260)**	**(2,390,000)**	**(118,007,260)**	**-**	**-**	**(118,007,260)**	**(117,802,997)**	**-**	**204,263**	**100 %**	**102 %**
Surplus/(Deficit)	**16,082,900**	**610,000**	**16,692,900**	**-**		**16,692,900**	**15,588,864**		**(1,104,036)**	**93 %**	**97 %**

Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
Transfers recognised - capital	(41,742,000)	(9,963,000)	(51,705,000)	-		(51,705,000)	23,215,587		74,920,587	(45)%	(56)%
Contributions recognised - capital and contributed assets	(16,082,900)	-	(16,082,900)	-		(16,082,900)	-		16,082,900	- %	- %
Surplus (Deficit) after capital transfers and contributions	**(41,742,000)**	**(9,353,000)**	**(51,095,000)**	**-**		**(51,095,000)**	**38,804,451**		**89,899,451**	**(76)%**	**(93)%**
Surplus/(Deficit) for the year	**(41,742,000)**	**(9,353,000)**	**(51,095,000)**	**-**		**(51,095,000)**	**38,804,451**		**89,899,451**	**(76)%**	**(93)%**
Capital expenditure and funds sources											
Total capital expenditure	57,824,900	9,353,000	67,177,900	-		67,177,900	39,820		(67,138,080)	- %	- %
Sources of capital funds											
Transfers recognised - capital	41,742,000	-	41,742,000	-		41,742,000	28,416,302		(13,325,698)	68 %	68 %
Internally generated funds	16,082,900	-	16,082,900	-		16,082,900	1,971,865		(14,111,035)	12 %	12 %
Total sources of capital funds	**57,824,900**	**-**	**57,824,900**	**-**		**57,824,900**	**30,388,167**		**(27,436,733)**	**53 %**	**53 %**

Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
Cash flows											
Net cash from (used) operating	80,461,000	-	80,461,000	-		80,461,000	39,908,962		(40,552,038)	50 %	50 %
Net cash from (used) investing	(70,197,000)	-	(70,197,000)	-		(70,197,000)	(29,671,224)		40,525,776	42 %	42 %
Net cash from (used) financing	-	-	-	-		-	46,085		46,085	DIV/0 %	DIV/0 %
Net increase/(decrease) in cash and cash equivalents	**10,264,000**	**-**	**10,264,000**	**-**		**10,264,000**	**10,283,823**		**19,823**	**100 %**	**100 %**
Cash and cash equivalents at the beginning of the year	27,265,000	-	27,265,000	-		27,265,000	2,947,973		(24,317,027)	11 %	11 %
Cash and cash equivalents at year end	**37,529,000**	**-**	**37,529,000**	**-**		**37,529,000**	**13,231,796**		**24,297,204**	**35 %**	**35 %**

ACCOUNTING POLICIES

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board. The reporting framework is as prescribed by the Accounting Standards Board in Directive 5.

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Trade receivables and loans and receivables

The municipality assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Impairment testing

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 15 - Provisions.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 16.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

ACCOUNTING POLICIES

1.1 Significant judgements and sources of estimation uncertainty (continued)

Allowance for debt impairment

On receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.2 Presentation of currency

These financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 Going concern - assumption

These financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 Comparative figures

Budget information in accordance with GRAP 1 and 24, has been provided to these financial statements and forms part of the audited financial statements.

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as it is practical, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far it is practical, and the prior year comparatives are restated accordingly.

The comparative figures (accounting policies and disclosures) may not be consistent with the current year accounting policies and disclosures due to the implementation of the new GRAP Standards.

1.5 Housing operating account

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund.

In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, or for administrative purposes, and are expected to be used during more than one period. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

ACCOUNTING POLICIES

1.6 Property, plant and equipment (continued)

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Subsequent measurement - revaluation model (land and buildings)

Subsequent to initial recognition, land and buildings are carried at a cost amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and any impairment losses.

Any increase in an asset’s carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset’s carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Subsequent measurement - cost model

Subsequent to initial recognition, items of Property, plant and equipment are measured at cost less accumulated depreciation and any impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces part of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

Depreciation

Depreciation is calculated on the depreciable amount, using the straight line basis over the estimated useful lives of items of property, plant and equipment unless depreciation of certain assets is being determined using a method other than estimated useful life.

Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The annual depreciation rates are based on the following estimated average useful lives of items of property, plant and equipment have been assessed as follows:

ACCOUNTING POLICIES

1.6 Property, plant and equipment (continued)

Item	Average useful life
Buildings	30 Years
Infrastructure	In years
• Roads and paving	30
• Pedestrian malls	30
• Electricity	20 - 30
• Water	15 - 20
• Sewerage	15 - 20
Community	
• Buildings	30
• Recreational facilities	20 - 30
• Security	5
• Halls	30
• Libraries	30
• Parks and gardens	30
• Other assets	5
Other assets	
• Buildings	30
• Specialist vehicles	10
• Other vehicles	5
• Office equipment	3 - 7
• Furniture and fittings	7 - 10
• Watercraft	15
• Bins and containers	5
• Specialised plant and equipment	10 - 15
• Other items of plant and equipment	2 - 5
• Landfill sites	15

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate. In determining the depreciation charge for the current year, the residual value for all assets have been taken into account.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of municipality are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.7 Intangible assets

Intangible assets are initially recognised at cost.

An intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

ACCOUNTING POLICIES

1.7 Intangible assets (continued)

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	3 years

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the statement of financial performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible assets is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and impairment loss is charged to the statement of financial performance.

Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible assets is determined as the difference between the net disposal proceeds, if any, and the carrying amount and is recognised in the statement of financial performance.

1.8 Investment property

Investment property includes property (land or a building - or part of a building - or both land or building held under finance lease) held to earn rentals or for capital appreciation or both, rather than for:

- to meet service delivery objective, or
- the production or supply of goods or services, or for
- the sale in the ordinary course of assets.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

1.8 Investment property (continued)

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Subsequent measurement - Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measure that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity apply the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

1.9 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

ACCOUNTING POLICIES

1.9 Inventories (continued)

Redundant and slow moving inventories identified and written down from cost to net realisable value with regards to their estimated economic or realisable values. Consumables are written down with regards to their age, condition and utility.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.10 Financial instruments

The municipality has various types of financial instruments and these can be broadly categorised as either Financial assets or Financial liabilities.

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity

Financial assets - Classification

A financial asset is any asset consisting of cash or a contractual right to receive cash. The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Investments in Fixed Deposits (Banking Institutions, etc);
- Unlisted investments;
- Long-term Receivables;
- Consumer Debtors;
- Certain Other Debtors (see note 6);
- Short-term Investment Deposits; and
- Bank Balances and Cash

Available for sale investments are financial assets that are designated as available for sale or are not classified as:

- Loans and Receivables;
- Held-to-Maturity Investments; or
- Financial Assets at fair value through the Statement of Financial Performance.

Loans and Receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets.

Held-to-Maturity Investments are financial assets with fixed or determinable payments and fixed maturity where the municipality has the positive intent and ability to hold the investment to maturity.

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

ACCOUNTING POLICIES

1.10 Financial instruments (continued)

Financial liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Long-term Liabilities;
- Certain Other Creditors (see note 12);
- Bank Overdraft;
- Short-term loans;
- Current Portion of Long-term Liabilities; and
- Consumer Deposits

There are two main categories of Financial Liabilities, the classification determining how they are measured. Financial liabilities may be measured as:

- Other financial liabilities.

Any other financial liabilities are classified as "Other financial liabilities" and are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

In accordance with IAS 39.09 the Financial Liabilities of the municipality are all classified as "Other financial liabilities".

Initial and subsequent measurement

Financial assets

Held-to-maturity Investments and Loans and Receivables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with revenue recognised on an effective yield basis.

Financial Assets at Available-for-Sale are initially and subsequently, at the end of each financial year, measured at fair value with the profit or loss being recognised in the Statement of Financial Performance.

Financial assets are recognised on the date they originated for loans and receivables and deposits and for other financial assets, initially on the trade date at which the municipality becomes a party to the contractual provision of the instrument.

Financial liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Financial liabilities are recognised on the trade date at which the municipality becomes a party to the contractual provisions of the instrument.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39.

ACCOUNTING POLICIES

1.10 Financial instruments (continued)

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of trade receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Consumer Debtors are stated at cost less a provision for bad debts. The provision is made in accordance with IAS 39.64 whereby the recoverability of Consumer Debtors is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the instruments at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Derecognition of financial liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

ACCOUNTING POLICIES

1.10 Financial instruments (continued)

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:
- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:
- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

ACCOUNTING POLICIES

1.10 Financial instruments (continued)

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

1.11 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

ACCOUNTING POLICIES

1.11 Unauthorised expenditure (continued)

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state. An expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.12 Irregular expenditure

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.13 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

Fruitless and Wasteful expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the Fruitless and Wasteful register. If liability for the fruitless and wasteful expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The fruitless and wasteful expenditure register must also be updated accordingly. If the expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the fruitless and wasteful expenditure register..

ACCOUNTING POLICIES

1.14 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the financial statements.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

1.15 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 46 unless the possibility of an outflow or resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefit is probable.

Future events that may effect the amount required to settle an obligation are reflected in the amount of the provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

ACCOUNTING POLICIES

1.15 Provisions and contingencies (continued)

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.16 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. Property, plant equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured at the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangible assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance costs and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorted of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope within the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

ACCOUNTING POLICIES

1.16 Leases (continued)

Finance leases - lessor

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as a sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease installment received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

1.17 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered/goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

ACCOUNTING POLICIES

1.17 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Revenue from the sale of tender documents is recognised at the point of sale.

ACCOUNTING POLICIES

1.17 Revenue from exchange transactions (continued)

Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method on a time proportionate basis..

1.18 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experiences of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

1.19 Grants, transfers and donations

Grants, transfers and donations received or receivable are recognised when the sources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grants, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the municipality receives it.

1.20 Borrowing costs

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.

ACCOUNTING POLICIES

1.20 Borrowing costs (continued)

- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current. Borrowings costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

1.21 Retirement benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined benefit plan

The municipality provides retirement benefits for its employee's and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. Specific actuarial information in respect of individual participating municipalities is unavailable due to centralised administration of these funds. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

The following are defined benefit plans: Natal Joints Superannuation, Retirement and Provident Funds (NJMP). These are not treated as defined benefit plans as defined by IAS 19, but are accounted for as defined contribution plans. This is in line with the exemption in IAS 19 par. 30 which states that where information required for proper defined benefit plan accounting is not available in respect of multi-employer and state plans, these should be accounted for as defined contribution plans. The municipality has been unsuccessful in obtaining the necessary information to support proper defined benefit plan accounting due to restrictions imposed by multi-employer plan. It is therefore deemed impractical to obtain this information at a suitable level of detail. Current contributions by council are charged against expenditure on the basis of current service costs. Full actuarial valuations are performed at least every 5 years. The last valuation was done on 31 March 2011.

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

ACCOUNTING POLICIES

1.22 Impairment of assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:
(a) the period of time over which an asset is expected to be used by the municipality; or
(b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow:

Identification

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

1.23 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

ACCOUNTING POLICIES

1.24 Internal reserves

Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment, amounts are transferred from the accumulated surplus/(deficit) to the CRR in terms of a Council resolution (Number … dated…..).

These transfers from the net surplus may only be made if they are backed by cash. The amount transferred to CRR is based on the municipality's need to finance future capital progress included in the integrated development plan. The following provisions are set for the creation and utilisation of the CRR:

- the cash which backs up the CRR is invested until it is utilised. The cash may only be invested in accordance with the investment policy of the municipality.
- interest earned on the CRR investment is recorded as part of the total interest earned in the statement of financial performance
- the CRR may only be utilised for the purpose of purchasing items of property, plant and equipment for the municipality and may not be used for maintenance of these items.
- whenever an asset is purchased out of CRR, an amount equal to the cost price of the asset purchased is transferred from the CRR into a future depreciation reserve called the Capitalisation Reserve. This reserve is equal to the remaining depreciable value (book value) of assets purchased out of the CRR. The Capitalisation Reserve is used to offset depreciation charged on assets purchased out of the CRR to avoid double taxation of the consumers.
- if a gain is made on the sale of assets previously purchased out of the CRR, the gain on these assets sold is reflected in the statement of financial performance.

1.25 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.26 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/07/2012 to 30/06/2013.

The budget for the economic entity includes all the entities approved budgets under its control.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

ACCOUNTING POLICIES

1.27 Events after the reporting date

The municipality has carefully considered whether events occurring between the balance sheet date and the date of approval should be reflected in the financial statements. Events after the reporting period (or 'post balance sheet events') are either adjusting events or non-adjusting events. Adjusting events provide further evidence of conditions that existed at the statement of financial position date and the carrying amounts of assets and liabilities at the statement of financial posistion date are adjusted for such events. Non-adjusting events relate to conditions that arose after the statement of financial position date and should be disclosed.

	2013 R	2012 R

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 23: Revenue from Non-exchange Transactions

Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the municipality. An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised as recognise an amount equal to that reduction.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 financial statements.

The impact of the standard is not material.

GRAP 24: Presentation of Budget Information in the Financial Statements

Subject to the requirements of paragraph .19, an entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the municipality is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where the municipality prepares its budget and financial statements on a comparable basis, it includes the comparison as an additional column in the primary financial statements. Where the budget and financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'.

This statement compares the budget amounts with the amounts in the financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 financial statements.

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

GRAP 103: Heritage Assets

NOTES TO THE FINANCIAL STATEMENTS

2. New standards and interpretations (continued)

GRAP 103 defines heritage assets as assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

A heritage asset should be recognised as an asset only if:
- it is probable that future economic benefits or service potential associated with the asset will to the municipality; and
- the cost of fair value of the asset can be measured reliably.

The standard required judgement in applying the initial recognition criteria to the specific circumstances surrounding the entity and the assets.

GRAP 103 states that a heritage asset should be measured at its cost unless it is acquired through a non-exchange transaction which should then be measured at its fair value as at the date of acquisition. In terms of the standard, an entity has a choice between the cost and revaluation model as accounting policy for subsequent recognition and should apply the chosen policy to an entire class of heritage assets.

The cost model requires a class of heritage assets to be carried at its cost less any accumulated impairment losses.

The revaluation model required a class of heritage assets to be carried at its fair value at the date of the revaluation less any subsequent impairment losses. The standard also states that a restriction on the disposal of a heritage asset does not preclude the entity from determining the fair value.

GRAP 103 prescribes that when determining the fair value of a heritage asset that has more than one purpose, the fair value should reflect both the asset's heritage value and the value obtained from its use in the production or supply of goods or services or for administrative purposes.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase should be credited directly to a revaluation surplus. However, the increase should be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit. If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease should be recognised in surplus or deficit. However, the decrease should be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

GRAP 103 states that a heritage asset should not be depreciated but an entity should assess at each reporting date whether there is an indication that it may be impaired.

In terms of the standard, compensation from third parties for heritage assets that have been impaired, lost or given up, should be included in surplus or deficit when the compensation becomes receivable.

For a transfer from heritage assets carried at a revalued amount to property, plant and equipment, investment property, inventories or intangible assets, the asset's deemed cost for subsequent accounting should be its revalued amount at the date of transfer. The entity should treat any difference at that date between the carrying amount of the heritage asset and its fair value in the same way as a revaluation in accordance with this Standard. If an item of property, plant and equipment or an intangible asset carried at a revalued amount, or investment property carried at fair value is reclassified as a heritage asset carried at a revalued amount, the entity applies the applicable Standard of GRAP to that asset up to the date of change. The entity treats any difference at that date between the carrying amount of the asset and its fair value in accordance with the applicable Standard of GRAP relating to that asset. For a transfer from investment property carried at fair value, or inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount should be recognised in surplus or deficit.

The carrying amount of a heritage asset should be derecognised:
- on disposal, or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset should be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

The effective date of the standard is for years beginning on or after 01 April 2012.

NOTES TO THE FINANCIAL STATEMENTS

2. New standards and interpretations (continued)

The municipality has adopted the standard for the first time in the 2013 financial statements.

The impact of the standard is not material.

GRAP 21: Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, an entity estimates the recoverable service amount of the asset.

The present value of the remaining service potential of a non-cash-generating asset is determined using the following approach:

- Depreciated replacement cost approach

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, an entity estimates the recoverable service amount of that asset.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 financial statements.

The impact of the standard is not material.

GRAP 26: Impairment of cash-generating assets

Cash-generating assets are those assets held by an municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, an municipality estimates the recoverable amount of the asset.

When estimating the value in use of an asset, an municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and an municipality applies the appropriate discount rate to those future cash flows.

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, an municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

NOTES TO THE FINANCIAL STATEMENTS

2. New standards and interpretations (continued)

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, an entity use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, an municipality estimates the recoverable amount of that asset.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 financial statements.

The impact of the standard is not material.

GRAP 104: Financial Instruments

The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments.

Financial instruments are defined as those contracts that results in a financial asset in one municipality and a financial liability or residual interest in another municipality. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

In determining whether a financial instrument is a financial asset, financial liability or a residual interest, an municipality considers the substance of the contract and not just the legal form.

Where a single instrument contains both a liability and a residual interest component, the issuer allocates the instrument into its component parts. The issuer recognises the liability component at its fair value and recognises the residual interest as the difference between the carrying amount of the instrument and the fair value of the liability component. No gain or loss is recognised by separating the instrument into its component parts.

Financial assets and financial liabilities are initially recognised at fair value. Where an municipality subsequently measures financial assets and financial liabilities at amortised cost or cost, transactions costs are included in the cost of the asset or liability.

NOTES TO THE FINANCIAL STATEMENTS

2. New standards and interpretations (continued)

The transaction price usually equals the fair value at initial recognition, except in certain circumstances, for example, where interest free credit is granted or where credit is granted at a below market rate of interest.

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Concessionary loans are loans either received by or granted to another municipality on concessionary terms, e.g. at low interest rates and flexible repayment terms. On initial recognition, the fair value of a concessionary loan is the present value of the agreed contractual cash flows, discounted using a market related rate of interest for a similar transaction. The difference between the proceeds either received or paid and the present value of the contractual cash flows is accounted for as non-exchange revenue by the recipient of a concessionary loan in accordance with Standard of GRAP on Revenue from Non-exchange Revenue Transactions (Taxes and Transfers), and using the Framework for the Preparation and Presentation of Financial Statements (usually as an expense) by the grantor of the loan.

Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost or cost.

The municipality measures a financial instrument at fair value if it is:
- a derivative;
- a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract;
- held-for-trading;
- a non-derivative instrument with fixed or determinable payments that is designated at initial recognition to be measured at fair value;
- an investment in a residual interest for which fair value can be measured reliably; and
- other instruments that do not meet the definition of financial instruments at amortised cost or cost.

Financial assets and financial liabilities that are non-derivative instruments with fixed or determinable payments, for example deposits with banks, receivables and payables, are measured at amortised cost. At initial recognition, an municipality can however designate such an instrument to be measured at fair value.

The municipality can only measure investments in residual interests at cost where the fair value of the interest cannot be determined reliably.

Once the municipality has classified a financial asset or a financial liability either at fair value or amortised cost or cost, it is only allowed to reclassify such instruments in limited instances.

The municipality derecognises a financial asset, or the specifically identified cash flows of an asset, when:
- the cash flows from the asset expire, are settled or waived;
- significant risks and rewards are transferred to another party; or
- despite having retained significant risks and rewards, an municipality has transferred control of the asset to another municipality.

The municipality derecognises a financial liability when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where an municipality modifies the term of an existing financial liability, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

The municipality cannot offset financial assets and financial liabilities in the statement of financial position unless a legal right of set-off exists, and the parties intend to settle on a net basis.

GRAP 104 requires extensive disclosures on the significance of financial instruments for an municipality's statement of financial position and statement of financial performance, as well as the nature and extent of the risks that an municipality is exposed to as a result of its financial statements. Some disclosures, for example the disclosure of fair values for instruments measured at amortised cost or cost and the preparation of a sensitivity analysis, are encouraged rather than required.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 financial statements.

NOTES TO THE FINANCIAL STATEMENTS

2. New standards and interpretations (continued)

The impact of the amendment is not material.

2.2 Standards and Interpretations early adopted

The municipality has chosen to early adopt the following standards and interpretations:

GRAP 1 (as revised 2012): Presentation of Financial Statements

Minor amendments were made to the Statement of Financial Performance as well as the Statement of Changes in Net Assets.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013

The municipality has early adopted the amendment for the first time in the 2013 financial statements.

The impact of the amendment is not material.

GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors

Amendments were made to Changes in Accounting Policies. A change to the cost model when a reliable measure of fair value is no longer available (or vice versa) for an asset that a Standard of GRAP would otherwise require or permit to be measured at fair value are no longer considered to be a change in an accounting policy in terms of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (as revised in 2010).

The effective date of the amendment is for years beginning on or after 01 April 2013

The municipality has early adopted the amendment for the first time in the 2013 financial statements.

The impact of the amendment is not material.

GRAP 9 (as revised 2012): Revenue from Exchange Transactions

Amendments were made to the Scope and Definitions.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendment for the first time in the 2013 financial statements.

The impact of the amendment is not material.

GRAP 12 (as revised 2012): Inventories

Amendments were made to measurement after recognition.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendment for the first time in the 2013 financial statements.

The impact of the amendment is not material.

GRAP 25: Employee benefits

NOTES TO THE FINANCIAL STATEMENTS

2. New standards and interpretations (continued)

The objective of GRAP25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires an municipality to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when an municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

The major difference between this this standard (GRAP 25) and IAS 19 is with regards to the treatment of actuarial gains and losses and past service costs. This standard requires the municipality to recognise all actuarial gains and losses and past service costs immediately in the statement of financial performance once occurred.

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality expects to adopt the standard for the first time in the 2014 financial statements.

The impact of this standard is currently being assessed.

3. Call investment deposits

Call investment deposits consist of deposits maturing within a year and conditional grants that are ringfenced to be cash backed:

Nedbank - Mandeni branch - Call investment deposits Account number - 23581136/9998		
Cash book balance	6,167,553	5,923,849
Bank statement balance	6,167,553	5,923,849
Standard Bank - Mandeni branch - Call investment deposits Account number - 068637527002		
Cash book balance	25,369	24,985
Bank statement balance	25,338	24,985
First National Bank - Mandeni branch - Call investment deposits Account number - C061294217372		
Cash book balance	28,043,930	41,178,865
Bank statement balance	28,122,299	41,178,865
First National Bank - Mandeni branch - Call investment deposits Account number - C062028673219		
Cash book balance	1,672,987	1,626,902
Bank statement balance	1,672,987	1,626,902
First National Bank - Mandeni branch - Call investment deposits Account number - C062138398327.		
Cash book balance	903	2,262,482
Bank statement balance	2,956,583	2,262,482
First National Bank - Mandeni branch - Call investment deposits Account number - C062252919471		
Cash book balance	7,418,179	9,118,981
Bank statement balance	8,853,145	9,118,981

NOTES TO THE FINANCIAL STATEMENTS

	2013 R	2012 R
3. Call investment deposits (continued)		
First National Bank - Mandeni branch - Call investment deposits Account number - C062113325882		
Cash book balance	107,396	105,657
Bank statement balance	107,396	105,657
First National Bank - Mandeni branch - Call investment deposits Account number - 74396352970		
Cash book balance	16,366,522	-
Bank statement balance	16,366,522	-
Cash book balance	**59,802,839**	**60,241,721**

Call investment deposits were subjected to the following interest rates during the financial year:

The following call investment deposits have no restrictions on the use of funds:

- Nedbank - Mandeni branch - Call investment deposits
 Account number - 23581136/9998

- Standard Bank - Mandeni branch - Call investment deposits
 Account number - 068637527002

- First National Bank - Mandeni branch - Call investment deposits
 Account number - C061294217372

- First National Bank - Mandeni branch - Call investment deposits
 Account number - C062113325882

The following call investment deposits have the following restrictions on the use of funds:

- First National Bank - Mandeni branch - Call investment deposits
 Account number - C062028673219:
 This account may only be used for housing related expenditure.

- First National Bank - Mandeni branch - Call investment deposits
 Account number - C062138398327:
 This account may only be used for MIG expenditure.

- First National Bank - Mandeni branch - Call investment deposits
 Account number - C062252919471:
 This account may only be used for Neighbourhood Development Program expenditure.

- First National Bank - Mandeni branch - Call investment deposits
 Account number - 74396352970:
 This account may only be used for the acquisition of assets.

Included in the amounts above are capital grants. See note 17 for additional information.

4. Cash and cash equivalents

Cash and cash equivalents consist of:

NOTES TO THE FINANCIAL STATEMENTS

	2013 R	2012 R
4. Cash and cash equivalents (continued)		
Cash on hand	10,676	11,676
Cash at bank	13,660,002	2,936,297
Cash and cash equivalents at the end of the year	**13,670,678**	**2,947,973**
Cash on hand		
Balance at end of the year	10,676	11,676
First National Bank - Mandeni branch:		
Cheque Account		
Account number 52940480587		
Cash book balance	13,660,002	2,936,297
Bank statement balance	9,496,195	4,809,398
Cash book balance	**13,660,002**	**2,936,297**
5. Receivables from exchange transactions		
Gross balances		
Electricity	2,498,771	2,383,889
Refuse	21,669,229	18,443,019
	24,168,000	**20,826,908**
Less: Allowance for impairment		
Electricity	(982,585)	(670,550)
Refuse	(20,325,855)	(14,698,207)
	(21,308,440)	**(15,368,757)**
Net balance		
Electricity	1,516,186	1,713,339
Refuse	1,343,374	3,744,812
	2,859,560	**5,458,151**
Electricity		
Current (0 -30 days)	120,293	36,576
31 - 60 days	9,111	-
61 - 90 days	39,831	93,817
91 - 120 days	(116,371)	99,386
121 - 365 days	27,319	2,154,110
> 365 days	2,418,588	-
Less: Impairment	(982,585)	(670,550)
	1,516,186	**1,713,339**

	2013 R	2012 R
5. Receivables from exchange transactions (continued)		
Refuse		
Current (0 -30 days)	282,077	187,117
31 - 60 days	308,520	282,387
61 - 90 days	303,468	318,729
91 - 120 days	276,771	237,560
121 - 365 days	2,045,598	253,149
> 365 days	18,452,795	17,164,077
Less: Impairment	(20,325,855)	(14,698,207)
	1,343,374	**3,744,812**
Summary of debtors by customer classification		
Households		
Current (0 -30 days)	421,989	-
31 - 60 days	1,204,667	389,196
61 - 90 days	1,197,566	638,795
91 - 120 days	1,139,240	206,357
121 - 365 days	6,169,602	2,494,423
> 365 days	43,684,451	39,892,918
	53,817,515	43,621,689
Less: Allowance for impairment	(33,991,013)	(33,991,013)
	19,826,502	**9,630,676**
Industrial/ commercial		
Current (0 -30 days)	-	65,700
31 - 60 days	-	425,398
61 - 90 days	2,109,981	221,197
91 - 120 days	2,087,994	222,215
121 - 365 days	14,185,404	1,565,965
> 365 days	5,492,110	5,185,882
	23,875,489	7,686,357
Less: Allowance for impairment	(7,141,619)	(7,141,619)
	16,733,870	**544,738**
National and provincial government		
Current (0 -30 days)	-	145
31 - 60 days	98,407	776
61 - 90 days	56,203	467
91 - 120 days	168,843	175
121 - 365 days	-	346,365
> 365 days	452,374	537,557
	775,827	885,485
Less: Allowance for impairment	(705,392)	(705,392)
	70,435	**180,093**

NOTES TO THE FINANCIAL STATEMENTS

	2013 R	2012 R
5. Receivables from exchange transactions (continued)		
Total		
Current (0 -30 days)	402,370	223,693
31 - 60 days	317,631	282,387
61 - 90 days	343,299	412,546
91 - 120 days	160,400	336,946
121 - 365 days	2,072,917	2,407,259
> 365 days	20,871,383	17,164,077
	24,168,000	20,826,908
Less: Allowance for impairment	(21,308,440)	(15,368,757)
	2,859,560	**5,458,151**
Less: Provision for debt impairment		
Current (0 -30 days)	(362,205)	(270,873)
31 - 60 days	(341,591)	(239,295)
61 - 90 days	(341,808)	(242,958)
91 - 120 days	(344,741)	(234,473)
121 - 365 days	(335,852)	(1,492,892)
> 365 days	(19,582,243)	(12,888,266)
	(21,308,440)	**(15,368,757)**
Reconciliation of allowance for impairment		
Balance at beginning of the year	(41,838,023)	(58,400,461)
Contributions to provision	(7,103,747)	(3,080,776)
Debt written off against provision	-	6,124,960
Reversal of provision	-	13,518,254
Impairment related to Non-exchange Transactions - Rates	27,576,375	25,232,662
Impairment related to Non-exchange Transactions - Other	56,955	1,236,604
	(21,308,440)	**(15,368,757)**
6. Receivables from non-exchange transactions		
Receivables from non-exchange transactions (aged)		
Rates	52,679,873	30,153,671
Other	(126,632)	1,212,952
Less: Non-exchange Impairment - Rates	(27,576,375)	(25,232,662)
Less: Non-exchange Impairment - Other	(56,955)	(1,236,604)
	24,919,911	**4,897,357**
Receivables from non-exchange transactions (not aged)		
Insurance claims	-	(5,803)
Subsidies	657,417	845,250
Housing rental	40,230	40,230
Other receivables	745,732	872,597
Postage Deposit	10,000	10,000
	26,373,290	**6,659,631**
Rates		
Current (0 - 30 days)	(782,469)	15,957
31 - 60 days	(1,516,822)	960,165
61 - 90 days	2,645,494	1,258,665
91 - 120 days	2,885,609	323,002
121 - 365 days	19,271,697	433,609
> 365 days	30,176,364	27,162,276
Less: Non-exchange Impairment - Rates	(27,576,375)	(25,232,662)

NOTES TO THE FINANCIAL STATEMENTS

	2013 R	2012 R
6. Receivables from non-exchange transactions (continued)		
	25,103,498	**4,921,012**
Other		
Current (0 - 30 days)	-	7,219
31 - 60 days	-	2,332
61 - 90 days	-	2,545
121 - 365 days	-	51,983
> 365 days	(126,632)	1,148,873
Less: Non-exchange Impairment - Other	(56,955)	(1,236,604)
	(183,587)	**(23,652)**
Total		
Current (0 -30 days)	(782,469)	23,176
31 - 60 days	(1,516,822)	962,494
61 - 90 days	2,645,494	1,261,210
91 - 120 days	2,885,609	323,002
121 - 365 days	19,271,697	485,592
> 365 days	30,049,732	28,311,149
	52,553,241	31,366,623
Less: Provision for debt impairment	(27,633,330)	(26,469,266)
	24,919,911	**4,897,357**
7. Inventories		
Consumable stores	332,403	281,749
Maintenance materials	167,045	89,380
	499,448	**371,129**
Consumable stores		
At cost	281,749	244,104
Additions	747,529	833,134
Issued/(expensed)	(662,133)	(795,489)
	367,145	**281,749**
Maintenance materials		
At cost	89,380	70,902
Additions	375,730	61,737
Issued/(expensed)	(332,808)	(43,259)
	132,302	**89,380**

NOTES TO THE FINANCIAL STATEMENTS

Figures in Rand

8. Investment property

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	23,162,509	-	23,162,509	23,210,509	-	23,210,509

Reconciliation of investment property - 2013

	Carrying value at beginning of year	Additions	Disposals	Impairments	Reversal of impairments	Fair value adjustments	Depreciation	Carrying value at end of year
Investment property	23,210,509	-	(48,000)	-	-	-	-	23,162,509

Reconciliation of investment property - 2012

	Carrying value at beginning of year	Additions	Disposals	Impairments	Reversal of impairments	Fair value adjustments	Depreciation	Carrying value at end of year
Investment property	23,210,509	-	-	-	-	-	-	23,210,509

	2013 R	2012 R

8. Investment property (continued)

Details of valuation

The Valuation roll for 2012/13 has been used to determine the fair values as it is believed to reflect the market value of properties.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Fair value of investment properties

Portion 6 of Farm Lot 5 Ca No. 8440	10,000	10,000
Portion 7 of Farm Lot 5 Ca No. 8440	20,000	20,000
Lot 56 of Padianager	33,000	33,000
Lot 1203 of Mandeni - Aloe Road	60,000	60,000
Lot 571 of Mandeni - Anderson Road	92,000	92,000
Lot 504 of Mandeni - Matthews Road	95,000	95,000
Lot 327 of Mandeni - Greig Road	121,000	121,000
Lot 1466 of Mandeni - Aloe Road	296,000	296,000
Lot 884 of Mandeni - 11 Inyathi Road	336,000	336,000
Portion 4 of Farm Lot 13 Tugela No. 13862	32,000	32,000
Portion 2 of Farm Reserve No. 21 No. 16882	360,000	360,000
The Farm Lot 5 B No. 4351 Agricultural	1,100,000	1,100,000
The Farm Lot 5 Ca No. 8440	1,890,000	1,890,000
Remainder of Farm Lot 30 Inyoni No. 13890	2,470,000	2,470,000
Portion 1 of Farm Reserve No. 21 No. 16882	16,000,000	16,000,000
Lot 1340 of Mandeni	59,500	59,500
Lot 1018 of Mandeni	106,000	154,000
Lot 175 of Padianager	41,000	41,000
Lot 181 of Tugela	41,000	41,000
	23,162,500	**23,210,500**

There are no restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal.

There is no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

9. Property, plant and equipment

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	904,000	-	904,000	925,000	-	925,000
Buildings	11,642,297	(820,217)	10,822,080	10,797,793	(779,630)	10,018,163
Infrastructure	224,705,682	(39,549,124)	185,156,558	197,107,354	(25,889,290)	171,218,064
Community	37,575,786	(3,652,882)	33,922,904	36,976,278	(2,029,015)	34,947,263
Other assets	12,422,766	(4,374,727)	8,048,039	12,135,458	(4,256,621)	7,878,837
Total	**287,250,531**	**(48,396,950)**	**238,853,581**	**257,941,883**	**(32,954,556)**	**224,987,327**

NOTES TO THE FINANCIAL STATEMENTS

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2013

	Carrying value at beginning of year	Additions	Disposals	Revaluations	Depreciation	Disposal	Carrying value at end of year
Land	925,000	-	(21,000)	-	-	-	904,000
Buildings	10,018,163	1,083,694	-	-	(279,777)	-	10,822,080
Infrastructure	171,218,064	27,598,327	-	-	(13,659,833)	-	185,156,558
Community	34,947,263	298,573	-	-	(1,322,932)	-	33,922,904
Other assets	7,878,837	1,407,572	(1,023,574)	-	(952,738)	737,942	8,048,039
	224,987,327	**30,388,166**	**(1,044,574)**	**-**	**(16,215,280)**	**737,942**	**238,853,581**

Reconciliation of property, plant and equipment - 2012

	Carrying value at beginning of year	Additions	Disposals	Transfers	Revaluations	Accum. Depreciation	Depreciation	Disposals	Carrying value at end of year
Land	925,000	-	-	-	-	-	-	-	925,000
Buildings	9,983,981	-	-	-	314,312	-	(280,130)	-	10,018,163
Infrastructure	154,193,984	35,540,915	-	(5,150,071)	-	-	(13,366,764)	-	171,218,064
Community	24,510,534	32,510,620	-	(20,900,819)	-	-	(1,173,072)	-	34,947,263
Other assets	8,425,135	400,863	(298,500)	-	-	(122,948)	(763,852)	238,139	7,878,837
	198,038,634	**68,452,398**	**(298,500)**	**(26,050,890)**	**314,312**	**(122,948)**	**(15,583,818)**	**238,139**	**224,987,327**

	2013 R	2012 R

10. Intangible assets

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Computer software	344,315	(275,452)	68,863	344,315	(271,109)	73,206

Reconciliation of intangible assets - 2013

	Carrying value at beginning of year	Amortisation	Carrying value at end of year
Computer software	73,206	(4,343)	68,863

Reconciliation of intangible assets - 2012

	Carrying value at beginning of year	Amortisation	Carrying value at end of year
Computer software	80,465	(7,259)	73,206

11. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus

	Revaluation reserve	Public contributions reserve	Accumulated surplus	Total
Balance at 01 July 2011	**130,376,635**	**47,431,571**	**67,435,111**	**245,243,317**
Surplus for the year	-	-	47,292,254	47,292,254
Movement in Revaluation reserve	2,255,824	-	-	2,255,824
Correction of Prior period error	-	-	1,380,348	1,380,348
Balance at 01 July 2012	**132,632,459**	**47,431,571**	**116,107,713**	**296,171,743**
Surplus for the year	-	-	38,804,451	38,804,451
Prior year payables reversal	-	-	70,171	70,171
	132,632,459	**47,431,571**	**154,982,335**	**335,046,365**

12. Payables

Trade payables	2,824,817	905,638
Other payables	178,823	1,597,194
Bank deposits not yet receipted	442,622	503,031
	3,446,262	3,005,863
Cashiers collections	554,097	453,196
	4,000,359	**3,459,059**

Cashiers collections was recorded as part of Receivables in prior years.

NOTES TO THE FINANCIAL STATEMENTS

	2013 R	2012 R

13. Consumer deposits

Electricity	1,340,897	1,234,283

No guarantees are held in lieu of Electricity Deposits.

14. VAT receivable

VAT	83,559	1,499,013

VAT is payable on the cash basis. VAT is paid over to SARS only once payment is received from debtors.

15. Provisions for leave pay

Reconciliation of provisions for leave pay - 2013

	Balance at beginning of year	Contributions to provisions	Expenditure incurred	Balance at end of year
Provision for leave pay	2,299,583	1,104,251	(977,463)	2,426,371

Reconciliation of provisions for leave pay - 2012

	Balance at beginning of year	Contributions to provisions	Expenditure incurred	Balance at end of year
Provision for leave pay	2,152,460	925,655	(778,532)	2,299,583

The calculation for leave pay provision is based on the assumption that the balance of leave days accumulated by an individual employee should he/she terminate their employment, is payable. It is further assumed, that basic salaries reflect a true and current nature of an employee's remuneration and do not factor any retrospective changes with regards to SALGA negotiations or employee grievances.

16. Employee benefit obligations

Post-employment medical benefits

The municipality operated on 5 accredited medical aid schemes, namely KeyHealth, LA Health, SAMWU, Bonitas and HosMed.

Pensioners continue on the option they belonged to on the day of their retirement. The independent valuers, Independent Actuaries and Consultants, carry out a statutory valuation on an annual basis.

The principal actuarial assumptions used were as follows:

Discount rate per annum	9.21 %	8.10 %
Salary inflation	6.82 %	6.40 %
Consumer price index (CPI)	5.82 %	5.40 %
Health care cost inflation rate	7.32 %	6.90 %
Net effective discount rate	1.77 %	1.10 %
Average retirement age	-	63
Mortality during employment	SA 85-90	SA 85-90

	2013 R	2012 R

16. Employee benefit obligations (continued)

Mortality post-retirement	PA 90-1	PA 90-1
Age	Males	Females
	80.0 %	80.0 %

We have assumed that children and orphans will be subsidised until the age of 21. If a child/orphan is currently over the age of 21, we have assumed that the child/orphan will be considered as an adult by the relevant medical scheme.

We have not make any allowance for active members to have child dependants in retirement.

We have assumed that 80% of all members will be married at retirement. The percentage married at retirement is important as it is when the benefit will commence. Any assumptions prior to the age of 63 are considered immaterial due to the commencement date being on retirement.

Movement in the defined benefit obligation is as follows:

Balance at beginning of the year	8,734,000	3,977,000
Current service cost	516,778	275,000
Interest cost	707,380	335,000
Expected benefit payments	(100,350)	(101,000)
Actuarial (gains)/losses	(1,714,034)	4,248,000
Balance at end of year	**8,143,774**	**8,734,000**

Based on the assumption used in the current year, prior year's figure would have been understated.

Percentage of in-service members withdrawing before retirement:

Age 20	12.0 %	- %
Age 30	10.0 %	- %
Age 40	6.0 %	- %
Age 50	2.0 %	- %
Age 55+	- %	- %

Ill-health and early retirement rates:

Specific ill health and early retirement rates have not been used. We have assumed that all members will retire at an average age of 63. We have further assumed that all members currently on a company sponsored scheme will continue on the medical scheme post-retirement. We have assumed that 20% of members not currently on a company sponsored medical scheme will take the option to join prior to retirement and become eligible for a subsidy.

The amounts recognised in the Statement of Financial Position were determined as being the present value of the obligation	**9,753,848**	**10,219,843**

Sensitivity Analysis

	2013 R	2012 R

16. Employee benefit obligations (continued)

Table 1 summarises the results of the sensitivity analysis and are disclosed in (R Millions)

Assumption	0.5% decrease in gap 1.27%	Valuation basis	0.5% increase in gap 2.27%	Valuation bases PA (90)	PA (90) - 2
Health care cost inflation	8.976	8.144	7.949	-	-
Mortality	-	-	-	7.868	8.421

Long service awards and retirement gifts

The independent valuers, Independent Actuaries and Consultants, carry out a statutory valuation on an annual basis.

The principal actuarial assumptions used were as follows:

Discount rate per annum	7.80 %	8.10 %
General salary inflation (long term)	6.80 %	6.40 %
Net effective discount rate	0.94 %	1.60 %
Examples of mortality rates used were as follows:		
Average retirement age	63	63
Mortality during employment	SA 85-90	SA 85-90

Members resigned from service

	Per 1,000 members	Per 1,000 members
Age 20	120	-
Age 30	100	-
Age 40	60	-
Age 50	20	-
Age 55+	-	-

Membership summary

Number of members	179	152
Average age of members (years)	41.3	42.9
Average past service (years)	8.9	11.0
Average salary	114,292	120,351

	2013 R	2012 R

16. Employee benefit obligations (continued)

Benefit Structure

Service years	Award (Number of days)	Award (Number of days)
10	10	-
15	20	-
20	39	-
25	30	-
30	30	-
35	30	-
40	30	-
45	30	-

Movement in the defined benefit obligation is as follows:

Balance at beginning of the year	1,485,843	2,107,695
Current service cost	144,984	194,698
Interest cost	118,884	155,656
Expected benefit payments	(162,835)	(177,937)
Recognised actuarial (gains)/losses	23,198	(794,269)
Balance at end of year	**1,610,074**	**1,485,843**

The amounts recognised in the Statement of Financial Performance were as follows:

Current service cost	144,984	194,698
Interest cost	118,884	155,656
Benefit payments	(162,835)	(177,937)
Actuarial (gains)/losses	23,198	(794,269)
	124,231	**(621,852)**

In conclusion:

Statement of Financial Position obligation for		
Long Service Awards Liability	1,610,074	1,485,843
Retirement Benefit Liability	8,143,774	8,734,000
	9,753,848	**10,219,843**
Statement of Financial Performance obligation for		
Long Service Award Expense	124,231	(621,852)
Retirement Benefit Expense	-	4,757,000
Retirement benefit obligation/reversal	(590,226)	-
	(465,995)	**4,135,148**

	2013 R	2012 R

16. Employee benefit obligations (continued)

Sensitivity Analysis

Table 1: Sensitivity Analysis on the Unfunded Accrued Liability (R Millions)

Assumption	0.5% decrease in gap 0.46%	Valuation basis	0.5% increase in gap 1.44%
Central assumptions	1.677	1.610	1.547
Cost/saving	0.670	-	(0.630)

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Operating grants		
Corridor development grant	88,457	88,457
Gijima grant	-	13,959
KZN Wildlife grant	2	-
Library KZNPA grant	112,853	-
SMME Nedbank	-	17,912
Seta grant	6	-
Economic Development grant	442,389	-
Capital grants		
Small towns rehabilitation	2,720,087	-
Sport and recreation grant	350,633	354,499
NDP grant	7,418,179	8,691,517
MIG grants	903	1,270,903
	11,133,509	**10,437,247**

See note 25 for reconciliation of grants from and receipts.

The capital grants are invested in a ring-fenced investment until utilised. See note 3 for additional information.

18. Finance lease obligation

Future finance charges		
- within one year	-	196,398
- in second to fifth year inclusive	-	230,486
Present value of minimum lease payments	**-**	**426,884**
Present value of minimum lease payments due		
- within one year	-	-
- in second to fifth year inclusive	-	-
- later than five years	-	-
	-	**-**

The average lease term is 5 years and the average effective borrowing rate is 11.5%. Interest rates are fixed at the contract date. Some leases have fixed repayment terms. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased assets.

NOTES TO THE FINANCIAL STATEMENTS

	2013 R	2012 R
19. Housing reserve fund		
Housing reserve fund		
Balance	1,626,900	1,572,968
Interest on Capital Housing	46,085	53,932
	1,672,985	**1,626,900**
Interest on housing reserve fund		
Interest received	46,085	53,932
Transfer to Housing reserve fund	(46,085)	(53,932)
	-	**-**
20. Revenue		
Property rates	33,472,174	20,866,449
Property rates - penalties imposed	5,074,876	352,549
Service charges	16,801,170	15,984,020
Rental of facilities and equipment	269,820	203,795
Interest received - external investments	2,808,907	2,282,713
Fines	93,010	90,599
Licences and permits	-	1,566
Government grants & subsidies	93,022,164	97,587,456
Other income	4,475,101	5,809,982
Debt impairment - reversal	-	13,518,254
Retirement benefit and Long Service benefit Revers	590,226	-
	156,607,448	**156,697,383**
The amount included in revenue arising from exchanges of goods or services is as follows:		
Service charges	16,801,170	15,984,020
Rental of facilities and equipment	269,820	203,795
Licences and permits	-	1,566
Debt impairment - reversal	-	13,518,254
Retirement benefit and Long Service benefit Revers	590,226	-
Other income	4,475,101	5,809,982
Interest received - investment	2,808,907	2,282,713
	24,945,224	**37,800,330**
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	33,472,174	20,866,449
Property rates - penalties imposed	5,074,876	352,549
Transfer revenue		
Government grants & subsidies	93,022,164	97,587,456
Fines	93,010	90,599
	131,662,224	**118,897,053**

NOTES TO THE FINANCIAL STATEMENTS

	2013 R	2012 R

21. Property rates

Rates received

Residential	10,849,737	6,763,692
Commercial	14,168,959	8,832,885
State	8,453,478	5,269,872
	33,472,174	20,866,449
Property rates - penalties imposed	5,074,876	352,549
	38,547,050	**21,218,998**

Valuations

Residential	686,928,000	686,928,000
Commercial	107,906,500	107,906,500
Industrial	48,508,000	48,508,000
Industrial Estate Special	433,360,000	433,360,000
Mining	14,000,000	14,000,000
Agricultural	293,303,000	293,303,000
Institutional	148,801,000	148,801,000
Public Services Infrastructure	352,441,000	352,441,000
Municipal Properties	33,972,000	33,972,000
	2,119,219,500	**2,119,219,500**

Commercial includes industrial, mining and agriculture.

State includes institutional and public services infrastructure.

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2012. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The following are the rates randage that were applied to the valuations in respect of the various categories:

Residential	R0.0121	R0.0121
Commercial	R0.0193	R0.0193
Industrial	R0.0205	R0.0205
Industrial Estate Special	R0.0178	R0.0178
Mining	R0.0229	R0.0229
Agriculture	R0.0030	R0.0030
Public Service Infrastructure	R0.0030	R0.0030
State	R0.0181	R0.0181

All residential property owners are exempt from paying rates on the first R15,000.00 value of property. All pensioners, the disabled and medically boarded owners are eligible for the rebates.

Rates are levied on an annual basis with the final date for payment being 31 May 2013 (31 May 2012).

22. Service charges

Sale of electricity	11,212,965	10,720,348
Refuse removal	5,588,205	5,263,672
	16,801,170	**15,984,020**

NOTES TO THE FINANCIAL STATEMENTS

	2013 R	2012 R
23. Rental of facilities and equipment		
Hall hire	141,619	18,951
Staff housing	117,596	184,844
Stalls rental	10,605	-
	269,820	**203,795**
24. Interest received - external investments		
Bank and Call Deposits	2,808,907	2,282,713
25. Government grants & subsidies		
Operating grants		
Equitable share	65,009,000	57,058,000
Finance management grant	1,500,000	1,264,666
Municipal systems improvement grant	800,001	733,300
Grant roll overs	1,919,341	329,866
Health subsidy	93,917	1,127,000
Sports facilities grant	153,866	32,991
SMME training grant	31,879	97,000
Economic Development grant	298,573	-
	69,806,577	60,642,823
Capital grants		
MIG grant	22,407,102	17,533,694
Housing grant	-	2,768,461
Neighbourhood development partnership grant	-	16,079,798
Library grant	562,947	562,680
Small Towns Rehabilitation grant	245,538	-
	23,215,587	36,944,633
	93,022,164	**97,587,456**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Balance unspent at beginning of year	-	-
Current-year receipts	65,009,000	57,058,000
Conditions met - transferred to revenue	(65,009,000)	(57,058,000)
	-	**-**

Finance management grant

Current-year receipts	1,500,000	1,450,000
Conditions met - transferred to revenue	(1,500,000)	(1,450,000)
	-	**-**

Conditions still to be met - remain liabilities (see note 17).

This grant is used to set up and support the budget and treasury office and financing the appointment of finance interns.

	2013 R	2012 R

25. (continued)

Municipal system improvement grant

Balance unspent at beginning of year	-	47
Current-year receipts	800,000	790,000
Conditions met - transferred to revenue	(800,000)	(790,047)
	-	**-**

Conditions still to be met - remain liabilities (see note 17).

This grant was used to implement new financial systems, the GRAP conversion process, ward participation and debt management activities.

MIG grant

Balance unspent at beginning of year	1,270,903	1
Current-year receipts	25,659,000	21,259,314
Conditions met - transferred to revenue	(26,929,000)	(19,988,412)
	903	**1,270,903**

Conditions still to be met - remain liabilities (see note 17).

This grant is used to construct roads infrastructure.

Housing grant

Balance unspent at beginning of year	-	5,859
Current-year receipts	-	2,762,602
Conditions met - transferred to revenue	-	(2,768,461)
	-	**-**

Conditions still to be met - remain liabilities (see note 17).

This grant is used to construct the low cost housing infrastructure by the Department of Housing (Provincial).

Neighbourhood development partnership grant

Balance unspent at beginning of year	8,691,517	(634,891)
Current-year receipts	-	27,000,000
Conditions met - transferred to revenue	(1,273,338)	(17,673,592)
	7,418,179	**8,691,517**

Conditions still to be met - remain liabilities (see note 17).

The focus of this grant is to stimulate and accelerate investment in poor underserviced residential neighbourhood areas.

	2013 R	2012 R

25. (continued)

Library grant

Current-year receipts	675,800	562,680
Conditions met - transferred to revenue	(562,947)	(562,680)
	112,853	**-**

Conditions still to be met - remain liabilities (see note 17).

This grant is utilised to fund the acquisition of library materials.

Corridor development grant

Balance unspent at beginning of year	88,457	555,010
Current-year receipts	-	213,626
Conditions met - transferred to revenue	-	(680,179)
	88,457	**88,457**

Conditions still to be met - remain liabilities (see note 17).

This grant is used to promote local economic development on tourism nodes identified by the KZN Corridor Development Programme within the northern municipal planning region. A beach facility has been created.

Gijima grant

Balance unspent at beginning of year	13,959	-
Current-year receipts	-	13,959
Conditions met - transferred to revenue	(13,959)	-
	-	**13,959**

Conditions still to be met - remain liabilities (see note 17).

The funds received are utilised for the promotion of tourism and LED activities.

Sport and recreation grant

Balance unspent at beginning of year	354,499	237,490
Current-year receipts	150,000	150,000
Conditions met - transferred to revenue	(153,866)	(32,991)
	350,633	**354,499**

Conditions still to be met - remain liabilities (see note 17).

Department of sport and recreation provides funds for the development of local sport facilities.

	2013 R	2012 R

25. (continued)

SMME grant

Balance unspent at beginning of year	17,912	114,912
Current-year receipts	13,959	(97,000)
Conditions met - transferred to revenue	(31,871)	-
	-	**17,912**

Conditions still to be met - remain liabilities (see note 17).

This grant was used to capacitate SMMEs.

Economic Development grant

Current-year receipts	782,763	-
Conditions met - transferred to revenue	(340,374)	-
	442,389	**-**

Conditions still to be met - remain liabilities (see note 17).

Provide explanations of conditions still to be met and other relevant information.

Small towns rehabilitation grant

Current-year receipts	3,000,000	-
Conditions met - transferred to revenue	(279,913)	-
	2,720,087	**-**

Conditions still to be met - remain liabilities (see note 17).

For the creation of informal trading stalls and the beautification of the Mandeni town.

26. Other income

Building plan fees	24,182	29,212
Sundry income	653,226	529,005
Tuck shop - swimming pool	496	-
Donations	124,764	-
Connection fees	22,742	3,929
Entrance fees - swimming pool	4,994	9,400
Photocopy charges	15,845	25,775
Rates certificates	12,542	15,512
Reconnection fees	45,841	10,022
Seta refunds	25,328	118,894
VAT income	3,539,207	5,066,567
Business LED	4,482	1,666
Town planning	1,452	-
	4,475,101	**5,809,982**

	2013 R	2012 R

27. Debt impairment - reversal

Debt impairment - reversal	-	13,518,254

In assessing debt impairment in 2012 it was determined that the prior year's provision were high.

28. Employee related costs

Basic	20,605,015	17,728,095
Medical aid - company contributions	1,732,792	1,648,604
UIF	194,717	178,896
WCA	29,871	23,495
SDL	305,249	311,653
Leave pay provision charge	1,104,251	925,655
Post-employment benefits - Pension - Defined contribution plan	3,119,201	2,598,657
Overtime payments	856,222	751,018
Car allowance	729,865	2,063,739
Housing benefits and allowances	18,023	137,472
Cellphone allowance	139,342	190,014
Pension surcharge	35,428	74,639
	28,869,976	**26,631,937**

There were no advances to employees/Loans to employees are set out in note 6.

Remuneration of municipal manager

Annual Remuneration	755,547	704,702
Travel, motor car, accommodation, subsistence and other allowances	289,076	108,841
Contributions to UIF, Medical and Pension Funds	11,264	29,271
	1,055,887	**842,814**

Remuneration of chief finance officer

Annual Remuneration	616,680	543,290
Travel, motor car, accommodation, subsistence and other allowances	244,260	240,674
Contributions to UIF, Medical and Pension Funds	11,235	34,672
	872,175	**818,636**

Remuneration of individual executive directors (Corporate services)

Annual Remuneration	378,637	553,887
Travel, motor car, accommodation, subsistence and other allowances	215,985	333,069
Contributions to UIF, Medical and Pension Funds	9,191	11,151
	603,813	**898,107**

Remuneration of individual executive directors (Technical services)

Annual Remuneration	722,940	672,624
Travel, motor car, accommodation, subsistence and other allowances	138,000	136,500
Contributions to UIF, Medical and Pension Funds	10,213	9,439
	871,153	**818,563**

NOTES TO THE FINANCIAL STATEMENTS

	2013 R	2012 R
28. Employee related costs (continued)		
Remeneration of individual directors(Planning and economics development)		
Annual Remuneration	497,404	-
Travel, motor car, accommodation, subsistence and other allowances	151,746	-
Contributions to UIF, Medical and Pension Funds	7,410	-
	656,560	**-**
29. Remuneration of councillors		
Executive Major	450,854	230,036
Deputy Executive Mayor	240,348	225,770
Mayoral Committee Members	663,641	801,317
Speaker	325,892	446,194
Councillors	4,247,601	3,959,807
Councillors allowances	2,100,196	1,859,631
	8,028,532	**7,522,755**

In-kind benefits

The Mayor has a use of the two Council owned vehicle for official duties.

The Mayor has two full-time bodyguards.

30. Debt impairment		
Contributions to debt impairment provision	7,103,747	3,080,776
31. Depreciation and amortisation		
Property, plant and equipment	16,219,624	15,360,051
32. Finance costs		
Borrowings	-	14,263
33. Bulk purchases		
Electricity	7,437,324	7,269,436
34. Contracted services		
Security of municipal property	2,595,072	2,261,099
Solid waste management	7,443,720	7,170,746
	10,038,792	**9,431,845**

Enforce Security and Libra Security are responsible of the security of the municipal property.

Mandeni Waste Removal is responsible for the removal of solid waste management.

NOTES TO THE FINANCIAL STATEMENTS

	2013 R	2012 R
35. Grants and subsidies paid		
Other subsidies		
Management assistance programme	-	1
Finance management grant	1,503,377	1,264,661
Municipal systems improvement grant	800,001	733,300
Grants rolled over	(312,450)	329,866
Local economic development	31,879	97,000
MIG Capital	(1,008,313)	(1)
Housing capital	-	2,768,469
NDPG Capital	1,008,313	-
Library grant	562,947	562,680
Sport facilities grant	153,866	32,991
Economic Development grant	298,573	-
Small Towns Rehabilitation grant	245,538	-
	3,283,731	**5,788,967**
36. Repairs and maintenance		
Air conditioning	125,287	22,824
Building - Civil	233,837	372,756
Buildings - Electrical	64,827	19,312
Disaster management	196	70,661
Electricity reticulation	821,261	864,733
Fire protection	107,435	104,959
Office equipment	415,190	329,880
Parks and gardens	1,409,285	721,240
Plant and equipment	1,460,886	881,318
Pool chemicals	28,851	712
Pool general reticulation	371	1,173
Road signs and markings	101,489	111,727
Roads and sidewalks	1,746,838	5,609,766
Traffic lights	240,478	37,621
Vehicles	357,159	18,652
Zibambele programme	1,384,334	1,013,407
	8,497,724	**10,180,741**

NOTES TO THE FINANCIAL STATEMENTS

	2013 R	2012 R
37. General expenses		
Environmental Management Framework	89,811	-
Advertising	482,359	178,648
Auditors remuneration	1,473,713	1,649,756
Bank charges	207,479	168,225
Office cleaning	126,356	78,017
Legal and professional fees	2,991,893	418,028
Licenses	425,699	368,879
GRAP implementation	210,285	86,833
Hire	601,433	247,521
Electricity - health	337,825	19,257
Health supplies	30,966	229,991
Property revaluation	246,477	868,139
Lease rentals on operating lease	1,541,335	944,270
LED Forum	839,590	100,977
Special programmes	396,991	516,440
Pauper/indigent burial	57,900	78,277
Sports and recreation	352,655	361,488
Sundry expenses	492,062	664,388
Workmans compensation	204,901	180,693
Fuel and oil	1,917,398	1,406,934
Tuck shop - expenses	33,092	38,922
Ward committees	1,626,040	290,227
Literature acts and books	267,050	209,681
Printing and stationery	644,329	400,875
Public functions	911,952	681,558
Youth programmes	59,780	76,034
Shared services	737,071	502,798
Office teas	57,768	33,539
Subscriptions and membership fees	19,708	403,322
Telephone and fax	1,121,539	1,158,345
Training	1,697,374	731,270
Subsistence and travelling	1,549,764	747,805
Rates council property	(1,320,766)	-
Electricity - health	98,556	60,316
Literature acts and books	9,180	12,847
Water	323,471	253,759
Refuse	8,314	7,549
Rates council property	3,454	71,445
Electricity - internal	674,289	540,435
Uniforms	145,386	105,190
Fire arm shooting	2,300	5,520
Publications	150,811	313,089
Public participation	881,244	423,074
Small tools	13,402	9,421
Protection services	5,082	5,108
Aids awareness	110,460	304,714
Audit committees	74,206	71,726
Audit - internal	761,564	271,202
Environmental forum	56	41,181
Billing charges	361	-
Dog unit	1,080	9,143
Hostel charges	3,000	-
Other expenses	-	62,910
	23,698,045	**16,409,766**

NOTES TO THE FINANCIAL STATEMENTS

	2013 R	2012 R
38. Cash generated from operations		
Surplus	38,804,451	47,292,254
Adjustments for:		
Depreciation and amortisation	16,219,624	15,360,051
Loss on sale of assets and liabilities	375,632	60,367
Inventory write down	12	(624)
Interest income	(46,085)	(53,933)
Debt impairment	7,103,747	3,080,776
Movements in long service and retirement benefit assets and liabilities	(465,995)	4,135,148
Movements in provisions	126,788	147,123
Movement in Accumulated surplus	(1,060,588)	2,255,827
Reversal on Debt impairment	-	(13,518,254)
Changes in working capital:		
Inventories	(128,319)	(55,499)
Other receivables from non-exchange transactions	(19,713,659)	(2,693,464)
Other receivables from exchange transactions	(4,505,156)	6,640,066
Call investment deposits	438,882	-
Payables	541,298	(4,447,516)
VAT	1,415,454	20,518
Unspent conditional grants and receipts	696,262	10,144,861
Consumer deposits	106,614	53,996
	39,908,962	**68,421,697**
39. Call investment deposits, and Cash and cash equivalents		
Cash and cash equivalents	13,670,678	2,947,973
Call investment deposits	59,802,839	60,241,721
	73,473,517	**63,189,694**
40. Prior period errors		

Correction of prior year errors due to retention not capitalised on the purchase of assets in 2011/2012.

The correction of the error(s) results in adjustments as follows:

Statement of Financial Position		
Accumulated Surplus		
Opening Balance	-	(294,791,395)
Property, plant and equipment	-	1,380,348
Grant reserve	-	(1,380,348)
41. Fruitless and wasteful expenditure		
Reconciliation of fruitless and wasteful expenditure		
Opening balance	-	-
Fruitless and wasteful expenditure current year	17,599	-
Condoned or written off by Council	-	-
To be recovered - contingent asset	-	-
Fruitless and wasteful expenditure awaiting condonement	**17,599**	**-**

Interest charged by ESKOM on over due accounts

NOTES TO THE FINANCIAL STATEMENTS

	2013 R	2012 R

42. Irregular expenditure

Reconciliation of irregular expenditure

Opening balance	2,976,259	49,368,096
Irregular Expenditure - current year	1,442,195	5,533,055
Condoned or written off by Council	(2,976,259)	(51,924,892)
Irregular expenditure awaiting condonement	**1,442,195**	**2,976,259**

Details of irregular expenditure

Incident	Disciplinary steps taken/criminal proceedings		
Payments made without reasons for not having three quotations	Not applicable	-	194,700
No public invitation was made for quotations above R30,000	Not applicable	1,442,195	2,218,629
Payments made without obtaining tax clearance	Not applicable	-	1,182,619
Payments made to suppliers who are not on the database	Not applicable	-	1,354,177
Procurement with employees in the service of the state		-	582,930
		1,442,195	**5,533,055**

43. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	-	-
Current year subscription / fee	183,133	181,148
Amount paid - current year	(183,133)	(181,148)
Amount paid - previous years	-	-
Balance unpaid (included in payables)	**-**	**-**

Audit fees

Opening balance	-	-
Current year subscription / fee	1,473,713	1,649,756
Amount paid - current year	(1,473,713)	(1,649,756)
Amount paid - previous years	-	-
Balance unpaid (included in payables)	**-**	**-**

VAT

VAT receivable	83,559	1,499,013

	2013 R	2012 R

43. Additional disclosure in terms of Municipal Finance Management Act (continued)

PAYE and UIF

Opening balance	-	-
Current year subscription / fee	4,349,965	3,934,005
Amount paid - current year	(4,349,965)	(3,934,005)
Amount paid - previous years	-	-
Balance unpaid (included in payables)	**-**	**-**

The balance represents PAYE and UIF deducted from the June 2011 payroll. These amounts were paid during July 2013.

Pension and Medical Aid Deductions

Opening balance	-	-
Current year subscription / fee	7,541,338	6,604,031
Amount paid - current year	(7,541,338)	(6,604,031)
Amount paid - previous years	-	-
Balance unpaid (included in payables)	**-**	**-**

The balance represents pension and medical aid contributions deducted from employees payroll as well as Council's contributions to pension and medical aid funds. These amounts were paid during July 2012.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2013:

30 June 2013	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Dube E L	405	6,686	7,091
Khumalo B A	1,254	10,185	11,439
Mdunge M S	508	8,133	8,641
Reddy N	1,012	1,863	2,875
	3,179	**26,867**	**30,046**

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved by the Municipal Manager and condoned by Council. The expenses incurred as listed hereunder have been condoned.

NOTES TO THE FINANCIAL STATEMENTS

	2013 R	2012 R
44. Commitments		
Commitments in respect of capital expenditure		
Approved and contracted for		
• Property, plant and equipment	4,142,518	-
• Infrastructure	35,283,362	22,575,130
	39,425,880	**22,575,130**
Approved but not yet contracted for		
• Infrastructure	-	41,003,588
This expenditure will be financed from		
Government grants	35,283,362	63,578,718

Operating leases - as lessee (expense)

At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:

Minimum lease payments due		
- within one year	1,105,660	1,038,767
- in second to fifth year inclusive	2,030,050	1,923,604
- later than five years	-	-
	3,135,710	**2,962,371**

Operating leases consist of the following:

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

45. Retirement benefit information

Defined Benefit Plan

The following are defined benefit plans: Natal Joints Superannuation, Retirement and Provident Funds (NJMP). These are not treated as defined benefit plans as defined by IAS 19, but are accounted for as defined contribution plans. This is in line with the exemption in IAS 19 par. 30 which states that where information required for proper defined benefit plan accounting is not available in respect of multi-employer and state plans, these should be accounted for as defined contribution plans. The municipality has been unsuccessful in obtaining the necessary information to support proper defined benefit plan accounting due to restrictions imposed by multi-employer plan. It is therefore deemed impractical to obtain this information at a suitable level of detail. Current contributions by council are charged against expenditure on the basis of current service costs. Full actuarial valuations are performed at least every 5 years. The last valuation was done on 31 March 2006.

An interim valuation carried on the NJMP Superannuation (Defined Benefit) at 31 March 2006 concluded that the surcharge of 6% be retained for the year 30 June 2007 and thereafter at 4.5%.

	2013 R	2012 R

45. Retirement benefit information (continued)

The latest statutory valuation of the NJMP Retirement (Defined Benefit) as at 31 March 2007 reflects a fund deficit of R229,8 million in respect of the members. The total contribution rate payable, including the total surcharge of 14%, will eliminate the deficit by the year 2010.

The latest statutory valuation of the NJMP Provident Fund (Defined Contribution) as at 03 March 2007 revealed that the fund was in a sound financial position.

An amount of R2 498 218 was contributed by council in respect of councillors' and employees' retirement funding. These contributions have been expensed and are included in employee related costs for the year.

46. Contingencies

Contingent liabilities

The municipality has been given confirmation of the implementation of the surcharge on pension contribition regardless of the rate of employee contribution. The municipality is obliged to contribute 18% accross all employees on provident fund.

Contingent assets

No contingent asset was reported in this financial year.

47. Related parties

No related party transactions and/or balances.

48. Events after the reporting date

There are no events that were reported at the reporting date.

49. Key sources of estimation uncertainty and judgements

The following areas involve a significant degree of estimation uncertainty:
- Useful lives and residual values of property, plant and equipment
- Fair value of plan assets
- Provision for doubtful debts
- Impairment of assets

50. Risk management

Financial instruments

Exposure to currency, interest rate, credit and liquidity risks arise in the normal course of the municipality’s business.

	2013 R	2012 R

50. Risk management (continued)

Financial risk management

The municipality has exposure to the following risks from its use of financial instruments:

- Liquidity risk
- Interest rate risk
- Credit risk

This note presents information about the municipality's exposure to each of the above risks and its objectives, policies and processes for measuring and managing risks. Further quantitative disclosures are included throughout these financial statements.

The Council and the accounting officer have overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies together with the established risk management committee are in place to identify and analyse the risks face by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the municipality's activities.

The municipality through its training and management standards and procedures, aim to develop a disciplined and constructive environment in which all employees understand their roles and obligations.

Financial assets		
Investments	59,802,839	60,241,721
Receivables	29,232,850	11,664,586
Inventories	499,448	371,129
Cash and cash equivalents	13,760,678	2,947,973
Total assets	**103,295,815**	**75,225,409**
Financial liabilities		
Payables	4,000,359	3,235,905
Deposits	1,340,897	1,234,283
Trade and other payables	**5,341,256**	**4,470,188**
Unspent grants	11,133,501	10,437,247
Total liabilities	**16,474,757**	**14,907,435**

The accounting officer is of the opinion that the values reflected in the financial statements are a true reflection of fair values of both the Financial Assets and Liabilities.

Basis of determining Fair Value

Trade and other receivables/payables

The fair value of trade and other receivable is estimated to be the actual receipts expected adjusted for possibility of doubtful debt. Payables are settled within 30 days of receipt of invoice and therefore are reflected at the settlement amount.

	2013 R	2012 R

50. Risk management (continued)

Liquidity risk

Liquidity risk is the risk that the municipality will encounter difficulty in raising funds to meet its commitments. The municipality's approach to managing liquidity is to ensure as far as possible that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or rising damage to the municipality's reputation. The bulk portions of investments held are short term and can be converted when required. The municipality is currently debt free as all loan are fully paid as at 30 June 2012. In terms of non derivative financial liability namely trade and other payables, consumer deposits and unspent conditional grants can be called within one year or less and as such the fair value has not been discounted to present value the non derivative financial liability.

Total balance of liquidity risk Rnil as financial assets exceed financial liabilities.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate owing to changes in market interest rates. The municipality’s level of borrowing and consequently the debt servicing costs are closely monitored and controlled by the EXCO having regard to the prevailing and projected interest rates and the municipality’s capacity to service such debt from future earnings and allocations however the long term loan's interest rate is fixed throughout the term of repayment. Balances exposed to the interest rate risk. The municipality's policy is to further manage interest rate risks so that fluctuations in interest rates do not have a material impact on the net surplus/ deficit.

Investments	59,802,839	60,241,721
Cash and cash equivalents	13,670,678	2,805,932
	73,473,517	**63,047,653**

Credit risk

Credit risk is the risk that the counterparty to a financial instrument will default on its obligation to the municipality, thereby causing financial loss to the municipality. It is the municipality’s policy that all customers who wish to trade on credit terms are subject to payment of a deposit. In addition, receivable balances are monitored on an ongoing basis with the result that the municipality’s exposure to bad debts is not significant. A provision is made for doubtful debts. The maximum exposure to credit risk is represented by the carrying value of each financial asset in the balance sheet.

Trade and other receivables from exchange transactions	2,859,560	5,458,151
VAT receivable	83,559	1,492,355
Other receivables	26,373,290	6,206,435
	29,316,409	**13,156,941**

The ageing of trade receivables at the reporting date was:

	2013 R	2012 R

51. Budget differences

Material differences between budget and actual amounts

The excess of actual expenditure over the final budget of 15% (25% over approved budget) for the Health function was due to expenditures above the level approved by legislative action in response to the earthquake. There were no other material differences between the final budget and the actual amounts.

Differences between budget and actual amounts basis of preparation and presentation

The budget and the accounting bases differ. The financial statements for the whole-of-government are prepared on the accrual basis using a classification based on the nature of expenses in the statement of financial performance. The financial statements are consolidated statements that include all controlled entities, including government business enterprises for the fiscal period from to . The financial statements differ from the budget, which is approved on the cash basis and which deals only with the general government sector that excludes government business enterprises and certain other non-market government entities and activities.

The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by functional classification to be on the same basis as the final approved budget. In addition, adjustments to amounts in the financial statements for timing differences associated with the continuing appropriation and differences in the entities covered (government business enterprises) were made to express the actual amounts on a comparable basis to the final approved budget. The amounts of these adjustments are identified in the following table.

Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters. For details on these changes please refer to pages to in the annual report.

The changes between the approved and final budget are a consequence of changes in the overall budget parameters. For details on these changes please refer to pages to in the annual report

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Appendix B
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Analysis of property, plant and equipment as at 30 June 2013

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	WIP Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	WIP Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	925,000	-	(21,000)	-	-	-	**904,000**	-	-	-	-	-	-	904,000
Landfill Sites (Separate for AFS pursoses)	-	-	-	-	-	-	**-**	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	**-**	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	10,797,793	467,500	-	616,194	-	-	**11,881,487**	(779,630)	-	-	(279,777)	-	**(1,059,407)**	10,822,080
	11,722,793	**467,500**	**(21,000)**	**616,194**	**-**	**-**	**12,785,487**	**(779,630)**	**-**	**-**	**(279,777)**	**-**	**(1,059,407)**	**11,726,080**
Infrastructure														
Pavements & Bridges	6,766,000	-	-	-	-	-	**6,766,000**	(455,130)	-	-	(226,944)	-	**(682,074)**	6,083,926
Storm water	7,069,490	2,078,750	-	-	-	-	**9,148,240**	(1,176,235)	-	-	(634,019)	-	**(1,810,254)**	7,337,986
Generation	-	-	-	-	-	-	**-**	-	-	-	-	-	-	-
Transmission & Reticulation	1,717,577	207,985	-	-	-	-	**1,925,562**	(103,596)	-	-	(49,331)	-	**(152,927)**	1,772,635
Street lighting	165,240	-	-	-	-	-	**165,240**	(54,909)	-	-	(114,863)	-	**(169,772)**	(4,532)
Dams & Reservoirs	-	-	-	-	-	-	**-**	-	-	-	-	-	-	-
Terminals	294,824	-	-	-	-	-	**294,824**	(52,029)	-	-	(23,733)	-	**(75,762)**	219,062
Roads	180,012,348	15,536,979	-	9,774,616	-	-	**205,323,943**	(24,245,759)	-	-	(12,610,944)	-	**(36,856,703)**	168,467,240
Reticulation	-	-	-	-	-	-	**-**	-	-	-	-	-	-	-
Secirity Measures	40,820	-	-	-	-	-	**40,820**	(32,656)	-	-	-	-	**(32,656)**	8,164
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	**-**	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	**-**	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	**-**	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	**-**	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastructur)	-	-	-	-	-	-	**-**	-	-	-	-	-	-	-
Other 1	-	-	-	-	-	-	**-**	-	-	-	-	-	-	-
	196,066,299	**17,823,714**	**-**	**9,774,616**	**-**	**-**	**223,664,629**	**(26,120,314)**	**-**	**-**	**(13,659,834)**	**-**	**(39,780,148)**	**183,884,481**
Community Assets														
Parks & gardens	-	-	-	-	-	-	**-**	-	-	-	-	-	-	-
Sportsfields and stadium	13,602,875	-	-	-	-	-	**13,602,875**	(848,104)	-	-	(564,620)	-	**(1,412,724)**	12,190,151
Swimming pools	-	-	-	-	-	-	**-**	-	-	-	-	-	-	-
Community halls	21,527,327	298,573	-	-	-	-	**21,825,900**	(271,298)	-	-	(717,725)	-	**(989,023)**	20,836,877
Libraries	-	-	-	-	-	-	**-**	-	-	-	-	-	-	-
Recreational facilities	1,508,064	-	-	-	-	-	**1,508,064**	(466,345)	-	-	(40,588)	-	**(506,933)**	1,001,131
Clinics	-	-	-	-	-	-	**-**	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	**-**	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	**-**	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	**-**	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	**-**	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	**-**	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	**-**	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	**-**	-	-	-	-	-	-	-
	36,638,266	**298,573**	**-**	**-**	**-**	**-**	**36,936,839**	**(1,585,747)**	**-**	**-**	**(1,322,933)**	**-**	**(2,908,680)**	**34,028,159**

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Appendix B
June 2013

Analysis of property, plant and equipment as at 30 June 2013

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	WIP Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	WIP Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles														
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets														
General vehicles	2,444,473	-	-	-	-	-	**2,444,473**	(952,609)	-	-	(206,382)	-	**(1,158,991)**	1,285,482
Plant & equipment	5,017,107	517,590	(29,051)	-	-	-	**5,505,646**	(937,189)	21,392	-	(325,010)	-	**(1,240,807)**	4,264,839
Computer Equipment	2,086,594	382,955	(615,939)	-	-	-	**1,853,610**	(1,176,955)	453,635	-	(204,307)	-	**(927,627)**	925,983
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	849,212	448,815	(104,874)	-	-	-	**1,193,153**	(254,694)	50,624	-	(76,822)	-	**(280,892)**	912,261
Office Equipment	1,085,846	30,061	(249,404)	-	-	-	**866,503**	(647,131)	193,142	-	(67,609)	-	**(521,598)**	344,905
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Emergency Equipment	82,146	-	-	-	-	-	**82,146**	(46,378)	-	-	(13,072)	-	**(59,450)**	22,696
Tools and Equipments	336,121	27,050	(13,241)	-	-	-	**349,930**	(98,016)	10,593	-	(49,866)	-	**(137,289)**	212,641
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Traffic Equipment	85,464	-	(991)	-	-	-	**84,473**	(68,370)	793	-	-	-	**(67,577)**	16,896
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	114,385	1,100	-	-	-	-	**115,485**	(50,135)	-	-	(9,183)	-	**(59,318)**	56,167
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinic Epuipment	19,096	-	(10,072)	-	-	-	**9,024**	(14,629)	7,762	-	(352)	-	**(7,219)**	1,805
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	15,014	-	-	-	-	-	**15,014**	(11,878)	-	-	(133)	-	**(12,011)**	3,003
	12,135,458	**1,407,571**	**(1,023,572)**	**-**	**-**	**-**	**12,519,457**	**(4,257,984)**	**737,941**	**-**	**(952,736)**	**-**	**(4,472,779)**	**8,046,678**

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Analysis of property, plant and equipment as at 30 June 2013

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	WIP Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	WIP Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	11,722,793	467,500	(21,000)	616,194	-	-	**12,785,487**	(779,630)	-	-	(279,777)	-	**(1,059,407)**	11,726,080
Infrastructure	196,066,299	17,823,714	-	9,774,616	-	-	**223,664,629**	(26,120,314)	-	-	(13,659,834)	-	**(39,780,148)**	183,884,481
Community Assets	36,638,266	298,573	-	-	-	-	**36,936,839**	(1,585,747)	-	-	(1,322,933)	-	**(2,908,680)**	34,028,159
Heritage assets	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Specialised vehicles	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Other assets	12,135,458	1,407,571	(1,023,572)	-	-	-	**12,519,457**	(4,257,984)	737,941	-	(952,736)	-	**(4,472,779)**	8,046,678
	256,562,816	**19,997,358**	**(1,044,572)**	**10,390,810**	**-**	**-**	**285,906,412**	**(32,743,675)**	**737,941**	**-**	**(16,215,280)**	**-**	**(48,221,014)**	**237,685,398**
Agricultural/Biological assets														
Agricultural	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Biological assets	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Intangible assets														
Computers - software & programming	344,315	-	-	-	-	-	**344,315**	(271,108)	-	-	(4,343)	-	**(275,451)**	68,864
Other	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
	344,315	**-**	**-**	**-**	**-**	**-**	**344,315**	**(271,108)**	**-**	**-**	**(4,343)**	**-**	**(275,451)**	**68,864**
Investment properties														
Investment property	23,210,500	-	(48,000)	-	-	-	**23,162,500**	-	-	-	-	-	**-**	23,162,500
	23,210,500	**-**	**(48,000)**	**-**	**-**	**-**	**23,162,500**	**-**	**-**	**-**	**-**	**-**	**-**	**23,162,500**
Total														
Land and buildings	11,722,793	467,500	(21,000)	616,194	-	-	**12,785,487**	(779,630)	-	-	(279,777)	-	**(1,059,407)**	11,726,080
Infrastructure	196,066,299	17,823,714	-	9,774,616	-	-	**223,664,629**	(26,120,314)	-	-	(13,659,834)	-	**(39,780,148)**	183,884,481
Community Assets	36,638,266	298,573	-	-	-	-	**36,936,839**	(1,585,747)	-	-	(1,322,933)	-	**(2,908,680)**	34,028,159
Heritage assets	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Specialised vehicles	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Other assets	12,135,458	1,407,571	(1,023,572)	-	-	-	**12,519,457**	(4,257,984)	737,941	-	(952,736)	-	**(4,472,779)**	8,046,678
Agricultural/Biological assets	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Intangible assets	344,315	-	-	-	-	-	**344,315**	(271,108)	-	-	(4,343)	-	**(275,451)**	68,864
Investment properties	23,210,500	-	(48,000)	-	-	-	**23,162,500**	-	-	-	-	-	**-**	23,162,500
	280,117,631	**19,997,358**	**(1,092,572)**	**10,390,810**	**-**	**-**	**309,413,227**	**(33,014,783)**	**737,941**	**-**	**(16,219,623)**	**-**	**(48,496,465)**	**260,916,762**

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Analysis of property, plant and equipment as at 30 June 2012

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	WIP Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	WIP Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	925,000	-	-	-	-	-	**925,000**	-	-	-	-	-	**-**	925,000
Landfill Sites (Separate for AFS pursoses)	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Buildings (Separate for AFS purposes)	10,483,480	-	-	314,312	-	-	**10,797,792**	(499,500)	-	-	(280,129)	-	**(779,629)**	10,018,163
	11,408,480	**-**	**-**	**314,312**	**-**	**-**	**11,722,792**	**(499,500)**	**-**	**-**	**(280,129)**	**-**	**(779,629)**	**10,943,163**
Infrastructure														
Pavements & Bridges	6,766,000	-	-	-	-	-	**6,766,000**	(227,565)	-	-	(227,565)	-	**(455,130)**	6,310,870
Storm water	7,069,490	-	-	-	-	-	**7,069,490**	(563,052)	-	-	(558,112)	-	**(1,121,164)**	5,948,326
Generation	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Transmission & Reticulation	1,717,577	-	-	-	-	-	**1,717,577**	(53,780)	-	-	(49,816)	-	**(103,596)**	1,613,981
Street lighting	165,240	-	-	-	-	-	**165,240**	(11,775)	-	-	(11,775)	-	**(23,550)**	141,690
Dams & Reservoirs	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Terminals	294,824	-	-	-	-	-	**294,824**	(39,323)	-	-	(7,877)	-	**(47,200)**	247,624
Roads	150,893,585	34,374,089	-	(5,150,071)	-	-	**180,117,603**	(11,825,409)	-	-	(12,280,582)	-	**(24,105,991)**	156,011,612
Reticulation	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Security Measures	40,819	-	-	-	-	-	**40,819**	(32,655)	-	-	-	-	**(32,655)**	8,164
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Housing	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Waste Management	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Gas	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Other (fibre optic, WIFI infrastructur)	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Other 1	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
	166,947,535	**34,374,089**	**-**	**(5,150,071)**	**-**	**-**	**196,171,553**	**(12,753,559)**	**-**	**-**	**(13,135,727)**	**-**	**(25,889,286)**	**170,282,267**
Community Assets														
Parks & gardens	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Sportsfields and stadium	12,907,522	11,093,007	-	(10,502,909)	-	-	**13,497,620**	(430,429)	-	-	(863,653)	-	**(1,294,082)**	12,203,538
Swimming pools	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Community halls	10,951,023	21,285,368	-	(10,397,910)	-	-	**21,838,481**	-	-	-	(268,588)	-	**(268,588)**	21,569,893
Libraries	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Recreational facilities	1,523,077	-	-	-	-	-	**1,523,077**	(425,646)	-	-	(40,698)	-	**(466,344)**	1,056,733
Clinics	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Museums & art galleries	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Other	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Social rental housing	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Cemeteries	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Fire, safety & emergency	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Security and policing	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Buses	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
	25,381,622	**32,378,375**	**-**	**(20,900,819)**	**-**	**-**	**36,859,178**	**(856,075)**	**-**	**-**	**(1,172,939)**	**-**	**(2,029,014)**	**34,830,164**

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Analysis of property, plant and equipment as at 30 June 2012

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	WIP Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	WIP Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles														
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets														
General vehicles	2,444,473	-	-	-	-	-	**2,444,473**	(745,662)	-	-	(206,948)	-	**(952,610)**	1,491,863
Plant & equipment	5,008,108	16,448	(7,450)	-	-	-	**5,017,106**	(651,047)	-	5,960	(292,102)	-	**(937,189)**	4,079,917
Computer Equipment	2,144,484	228,870	(286,759)	-	-	-	**2,086,595**	(1,212,223)	-	229,134	(193,757)	-	**(1,176,846)**	909,749
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	723,670	127,016	(1,474)	-	-	-	**849,212**	(200,050)	-	1,005	(55,673)	-	**(254,718)**	594,494
Office Equipment	1,060,482	27,381	(2,017)	-	-	-	**1,085,846**	(582,247)	-	1,613	(66,498)	-	**(647,132)**	438,714
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Emergency Equipment	82,146	-	-	-	-	-	**82,146**	(33,270)	-	-	(13,107)	-	**(46,377)**	35,769
Tools and Equipment	321,916	-	(800)	-	-	-	**321,116**	(49,258)	-	427	(49,185)	-	**(98,016)**	223,100
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Traffic Equipment	85,464	-	-	-	-	-	**85,464**	(68,371)	-	-	-	-	**(68,371)**	17,093
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	114,385	-	-	-	-	-	**114,385**	(40,966)	-	-	(9,169)	-	**(50,135)**	64,250
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinic equipment	19,096	-	-	-	-	-	**19,096**	(14,277)	-	-	(353)	-	**(14,630)**	4,466
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	15,014	-	-	-	-	-	**15,014**	(11,745)	-	-	(134)	-	**(11,879)**	3,135
	12,019,238	**399,715**	**(298,500)**	**-**	**-**	**-**	12,120,453	**(3,609,116)**	**-**	**238,139**	**(886,926)**	**-**	**(4,257,903)**	**7,862,550**

Mandeni Municipality
Mandeni Municipality
Appendix B
June 2013

Analysis of property, plant and equipment as at 30 June 2012

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	WIP Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	WIP Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	11,408,480	-	-	314,312	-	-	**11,722,792**	(499,500)	-	-	(280,129)	-	**(779,629)**	10,943,163
Infrastructure	166,947,535	34,374,089	-	(5,150,071)	-	-	**196,171,553**	(12,753,559)	-	-	(13,135,727)	-	**(25,889,286)**	170,282,267
Community Assets	25,381,622	32,378,375	-	(20,900,819)	-	-	**36,859,178**	(856,075)	-	-	(1,172,939)	-	**(2,029,014)**	34,830,164
Heritage assets	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Specialised vehicles	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Other assets	12,019,238	399,715	(298,500)	-	-	-	**12,120,453**	(3,609,116)	-	238,139	(886,926)	-	**(4,257,903)**	7,862,550
	215,756,875	**67,152,179**	**(298,500)**	**(25,736,578)**	**-**	**-**	**256,873,976**	**(17,718,250)**	**-**	**238,139**	**(15,475,721)**	**-**	**(32,955,832)**	**223,918,144**
Agricultural/Biological assets														
Agricultural	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Biological assets	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Intangible assets														
Computers - software & programming	344,315	-	-	-	-	-	**344,315**	(263,850)	-	-	(7,259)	-	**(271,109)**	73,206
Other	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
	344,315	**-**	**-**	**-**	**-**	**-**	**344,315**	**(263,850)**	**-**	**-**	**(7,259)**	**-**	**(271,109)**	**73,206**
Investment properties														
Investment property	23,210,500	-	-	-	-	-	**23,210,500**	-	-	-	-	-	**-**	23,210,500
	23,210,500	**-**	**-**	**-**	**-**	**-**	**23,210,500**	**-**	**-**	**-**	**-**	**-**	**-**	**23,210,500**
Total														
Land and buildings	11,408,480	-	-	314,312	-	-	**11,722,792**	(499,500)	-	-	(280,129)	-	**(779,629)**	10,943,163
Infrastructure	166,947,535	34,374,089	-	(5,150,071)	-	-	**196,171,553**	(12,753,559)	-	-	(13,135,727)	-	**(25,889,286)**	170,282,267
Community Assets	25,381,622	32,378,375	-	(20,900,819)	-	-	**36,859,178**	(856,075)	-	-	(1,172,939)	-	**(2,029,014)**	34,830,164
Heritage assets	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Specialised vehicles	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Other assets	12,019,238	399,715	(298,500)	-	-	-	**12,120,453**	(3,609,116)	-	238,139	(886,926)	-	**(4,257,903)**	7,862,550
Agricultural/Biological assets	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Intangible assets	344,315	-	-	-	-	-	**344,315**	(263,850)	-	-	(7,259)	-	**(271,109)**	73,206
Investment properties	23,210,500	-	-	-	-	-	**23,210,500**	-	-	-	-	-	**-**	23,210,500
	239,311,690	**67,152,179**	**(298,500)**	**(25,736,578)**	**-**	**-**	**280,428,791**	**(17,982,100)**	**-**	**238,139**	**(15,482,980)**	**-**	**(33,226,941)**	**247,201,850**

Mandeni Municipality
Appendix C
June 2013

Segmental analysis of property, plant and equipment as at 30 June 2013

	Cost/Revaluation							Accumulated Depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
Municipality														
Executive & Council/Mayor and Council	588,269	180,509	(56,070)	-	-	-	**712,708**	(122,365)	34,838	-	(53,681)	-	**(141,208)**	571,500
Finance & Admin/Finance	7,936,146	419,308	(519,224)	-	-	-	**7,836,230**	(1,523,671)	395,341	-	(321,930)	-	**(1,450,260)**	6,385,970
Planning and Development/Economic Development/Plan	8,088,980	457,789	(115,293)	-	-	-	**8,431,476**	(2,256,566)	90,013	-	(542,291)	-	**(2,708,844)**	5,722,632
Health/Clinics	964,910	-	(136,338)	-	-	-	**828,572**	(133,928)	85,082	-	(32,335)	-	**(81,181)**	747,391
Comm. & Social/Libraries and archives	58,339,168	1,221,786	(207,812)	-	-	-	**59,353,142**	(1,340,203)	105,464	-	(1,195,309)	-	**(2,430,048)**	56,923,094
Housing	1,537	1,410	-	-	-	-	**2,947**	(631)	-	-	(212)	-	**(843)**	2,104
Public Safety/Police	645,612	13,891	(13,581)	-	-	-	**645,922**	(344,260)	9,723	-	(40,204)	-	**(374,741)**	271,181
Sport and Recreation	6,343,269	329,919	(26,613)	-	-	-	**6,646,575**	(928,850)	3,364	-	(313,766)	-	**(1,239,252)**	5,407,323
Environmental Protection/Pollution Control	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Waste Water Management/Sewerage	7,054	-	-	-	-	-	**7,054**	(5,643)	-	-	-	-	**(5,643)**	1,411
Road Transport/Roads	196,371,549	27,555,568	(13,306)	-	-	-	**223,913,811**	(26,211,307)	10,644	-	(13,654,924)	-	**(39,855,587)**	184,058,224
Water/Water Distribution	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Electricity /Electricity Distribution	1,999,327	207,985	(4,337)	-	-	-	**2,202,975**	(147,365)	3,469	-	(64,789)	-	**(208,685)**	1,994,290
Other/Air Transport	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
	281,285,821	**30,388,165**	**(1,092,574)**	**-**	**-**	**-**	**310,581,412**	**(33,014,789)**	**737,938**	**-**	**(16,219,441)**	**-**	**(48,496,292)**	**262,085,120**
Municipal Owned Entities														
	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
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Total														
Municipality	281,285,821	30,388,165	(1,092,574)	-	-	-	**310,581,412**	(33,014,789)	737,938	-	(16,219,441)	-	**(48,496,292)**	262,085,120
Municipal Owned Entities	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
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Mandeni Municipality
Appendix C
June 2013

Segmental analysis of property, plant and equipment as at 30 June 2013

Cost/Revaluation							Accumulated Depreciation						
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
281,285,821	30,388,165	(1,092,574)	-	-	-	310,581,412	(33,014,789)	737,938	-	(16,219,441)	-	(48,496,292)	262,085,120

Segmental Statement of Financial Performance for the year ended

Prior Year				Current Year		
Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
			Municipality			
4,039,530	17,570,639	(13,531,109)	Executive & Council/Mayor and Council	18,000	24,055,000	(24,037,000)
81,164,442	39,824,493	41,339,949	Finance & Admin/Finance	112,397,000	21,770,000	90,627,000
33,996,694	10,281,004	23,715,690	Planning and Development/Economic Development/Plan	23,141,000	36,583,000	(13,442,000)
1,127,000	2,049,691	(922,691)	Health/Clinics	-	475,647	(475,647)
643,160	4,549,477	(3,906,317)	Comm. & Social/Libraries and archives	1,067,000	5,986,000	(4,919,000)
-	62,512	(62,512)	Housing	-	333	(333)
82,752	6,435,873	(6,353,121)	Public Safety/Police	86,830	3,569,171	(3,482,341)
9,400	391,813	(382,413)	Sport and Recreation	4,994	460,775	(455,781)
-	-	-	Environmental Protection/Pollution Control	-	4,218,000	(4,218,000)
6,263,671	7,243,451	(979,780)	Waste Water Management/Sewerage	7,396,705	7,451,930	(55,225)
-	7,949,751	(7,949,751)	Road Transport/Roads	-	5,543,452	(5,543,452)
-	-	-	Water/Water Distribution	-	-	-
13,034,298	10,234,855	2,799,443	Electricity /Electricity Distribution	12,310,048	10,601,224	1,708,824
-	-	-	Other/Air Transport	-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
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140,360,947	**106,593,559**	**33,767,388**		**156,421,577**	**120,714,532**	**35,707,045**
			Municipal Owned Entities			
-	-	-		-	-	-
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-	**-**	**-**		**-**	**-**	**-**
			Other charges			
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-	**-**	**-**		**-**	**-**	**-**
140,360,947	106,593,559	33,767,388	Municipality	156,421,577	120,714,532	35,707,045
-	-	-	Municipal Owned Entities	-	-	-
-	-	-	Other charges	-	-	-
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Mandeni Municipality
Appendix D
June 2013

Segmental Statement of Financial Performance for the year ended

Prior Year				Current Year		
Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand	Rand	Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
140,360,947	**106,593,559**	**33,767,388**	**Total**	**156,421,577**	**120,714,532**	**35,707,045**

Mandeni Municipality
Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
June 2013

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun		Yes/ No	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		No	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.